OFFICIAL STATEMENT DATED MARCH 14, 2019

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98. IN THE OPINION OF SPECIAL TAX COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION. SEE "LEGAL MATTERS" AND "TAX MATTERS" HEREIN FOR A DISCUSSION OF THE OPINIONS OF BOND COUNSEL AND SPECIAL TAX COUNSEL, RESPECTIVELY.

THE BONDS HAVE BEEN DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—Qualified Tax Exempt Obligations."

NEW ISSUE-Book-Entry Only

Insured Rating (AGM): S&P "AA" (stable outlook)
Moody's "A2" (stable outlook)
Underlying Rating: Moody's "Baa1"
See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" herein.

$2,310,000

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
(A political subdivision of the State of Texas located within Montgomery County)
UNLIMITED TAX REFUNDING BONDS
SERIES 2019

The bonds described above (the "Bonds") are obligations solely of Montgomery County Municipal Utility District No. 98 (the "District") and are not obligations of the State of Texas, Montgomery County, the City of Houston or any entity other than the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS" herein.

Interest accrues from April 1, 2019 **Due: April 1, as shown below**

Principal of the Bonds will be payable at maturity or earlier redemption at the principal payment office of the Paying Agent/Registrar, initially, Regions Bank, Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will accrue from April 1, 2019, and will be payable on October 1 and April 1 of each year commencing October 1, 2019, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in fully registered form only in denominations of $5,000 each or integral multiples thereof. The Bonds mature and are subject to redemption prior to their maturity as shown below.

The Bonds will be registered and delivered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial Owners (defined herein under "BOOK-ENTRY-ONLY SYSTEM") of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the DTC participants. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar, as herein defined, directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners. See "BOOK-ENTRY-ONLY SYSTEM."

ASSURED GUARANTY MUNICIPAL

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP. See "MUNICIPAL BOND INSURANCE" herein.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Principal Amount	Maturity (April 1)	CUSIP Number(b)	Interest Rate	Initial Reoffering Yield(c)	Principal Amount	Maturity (April 1)	CUSIP Number(b)	Interest Rate	Initial Reoffering Yield(c)
$ 105,000	2020	61370R HC1	3.00 %	1.92 %	$ 115,000	2027 (a)	61370R HK3	2.50 %	2.67 %
105,000	2021	61370R HD9	3.00	1.96	115,000	2028 (a)	61370R HL1	3.00	2.81
110,000	2022	61370R HE7	3.00	2.01	135,000	2029 (a)	61370R HM9	3.00	2.95
110,000	2023	61370R HF4	2.00	2.11	285,000	2030 (a)	61370R HN7	3.00	3.06
110,000	2024	61370R HG2	2.00	2.19	295,000	2031 (a)	61370R HP2	3.00	3.15
105,000	2025	61370R HH0	2.00	2.32	300,000	2032 (a)	61370R HQ0	3.00	3.22
110,000	2026 (a)	61370R HJ6	2.25	2.49	310,000	2033 (a)	61370R HR8	3.00	3.28

(a) Bonds maturing on or after April 1, 2026, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on April 1, 2025, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent Interest Payment Date (as herein defined) to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

(b) CUSIP Numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

(c) Initial yield represents the initial offering yield to the public, which has been established by the Underwriter (as herein defined) for offers to the public and which subsequently may be changed. Accrued interest is to be added to the price.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein.

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Bond Counsel, Houston, Texas, and McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel. Certain legal matters will be passed on for the Underwriter by McCall, Parkhurst & Horton L.L.P., Houston, Texas, Underwriter's Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about April 17, 2019.

SAMCO CAPITAL MARKETS

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USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this OFFICIAL STATEMENT, and, if given or made, such other information or representation must not be relied upon as having been authorized by the District.

This OFFICIAL STATEMENT is not to be used in an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Schwartz, Page & Harding, L.L.P., 1300 Post Oak Blvd., Suite 1400, Houston, Texas 77056 upon payment of the costs of duplication therefor.

This OFFICIAL STATEMENT contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this OFFICIAL STATEMENT nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this OFFICIAL STATEMENT current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this OFFICIAL STATEMENT until delivery of the Bonds to the Underwriter (as herein defined) and thereafter only as specified in "PREPARATION OF THE OFFICIAL STATEMENT—Updating the Official Statement" and "CONTINUING DISCLOSURE OF INFORMATION."

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this OFFICIAL STATEMENT or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX B—Specimen Municipal Bond Insurance Policy."

SALE AND DISTRIBUTION OF THE BONDS

The Underwriter

The Bonds are being purchased by SAMCO Capital Markets, Inc. (the "Underwriter") pursuant to a bond purchase agreement with the District (the "Bond Purchase Agreement") at a price of $2,262,735.22 (representing the par amount of the Bonds of $2,310,000, less a net discount on the Bonds of $21,134.05, less an Underwriter's discount of $26,130.73) plus accrued interest. The Underwriter's obligation is to purchase all of the Bonds, if any are purchased. See "PLAN OF FINANCING—Sources and Uses of Funds."

The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information contained herein which is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this OFFICIAL STATEMENT. The summary should not be detached and should be used in conjunction with more complete information contained herein. A full review should be made of the entire Official Statement and of the documents summarized or described therein.

HURRICANE HARVEY

General… The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced three storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015. The most recent event was Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days.

Impact on the District… According to the District's Engineer, the District's water, sewer and drainage system did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, the District did not receive reports of any homes within the District that experienced structural flooding or other material damage as a result of Hurricane Harvey.

If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase in the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected. See "INVESTMENT CONSIDERATIONS—Recent Extreme Weather Events; Hurricane Harvey."

THE FINANCING

The Issuer... Montgomery County Municipal Utility District No. 98 (the "District"), a political subdivision of the State of Texas, is located in Montgomery County, Texas. See "THE DISTRICT."

The Issue... $2,310,000 Montgomery County Municipal Utility District No. 98 Unlimited Tax Refunding Bonds, Series 2019, dated April 1, 2019 (the "Bonds"). Interest on the Bonds will accrue from April 1, 2019, and will be payable on April 1 and October 1 of each year commencing October 1, 2019 until maturity or prior redemption. The Bonds mature serially on April 1 in each year from 2020 through 2033, inclusive, in the respective amounts and bear interest at the rates for each maturity shown on the cover page hereof. The Bonds maturing on April 1, 2026, are subject to optional redemption, in whole or, from time to time, in part, on April 1, 2025, or on any date thereafter, at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption. If less than all the Bonds are redeemed, the amounts thereof to be redeemed shall be selected by the District in integral multiples of $5,000 in any one maturity. If less than all the Bonds within a maturity are redeemed, the Bonds to be redeemed shall be selected by DTC, as defined herein, in accordance with its procedures. The Bonds will be issued in fully registered form only, in denominations of $5,000 or any integral multiple thereof. See "THE BONDS."

Book-Entry Only... The Bonds will be registered in the name of, and delivered only to, Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

Authority for Issuance… At an election held within the District on November 2, 2004, voters of the District authorized a total of $30,000,000 principal amount in unlimited tax bonds for the purpose of refunding bonds of the District. The Bonds are issued by the District pursuant to said election and the terms and provisions of the Bond Order (as herein defined), Article XVI, Section 59 of the Texas Constitution; Chapter 1207 of the Texas Government Code, as amended; Chapters 49 and 54 of the Texas Water Code, as amended; and City of Houston Ordinance No. 97-416. See "THE BONDS— Authority for Issuance".

Source of Payment… The Bonds and the Remaining Outstanding Bonds (as hereinafter defined) are payable from a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, the City of Houston or any entity other than the District. See "THE BONDS—Source and Security for Payment."

Payment Record... The District has previously issued $18,745,000 principal amount of unlimited tax bonds in seven series (including the Series 2006 Bonds, which have been paid in full) and $2,350,000 principal amount of unlimited tax refunding bonds in one series, of which $16,120,000 in principal amount will remain outstanding (the "Outstanding Bonds") as of April 2, 2019. The District has timely paid its debt service on the Outstanding Bonds.

Use of Proceeds… Proceeds from the sale of the Bonds and lawfully available debt service funds will be used to pay certain costs incurred in connection with the issuance of the Bonds and to refund $2,165,000 principal amount of the Outstanding Bonds in order to achieve net savings in the District's annual debt service expense. See "PLAN OF FINANCING."

Qualified Tax-Exempt Obligations… The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS— Qualified Tax-Exempt Obligations."

Municipal Bond Insurance and Municipal Bond Rating… It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") and Moody's Investors Service ("Moody's") will assign a municipal bond rating of "AA" (stable outlook) and "A2" (stable outlook), respectively, to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer"). Moody's has also assigned an underlying rating of "Baa1" to the Bonds. An explanation of their ratings may be obtained from S&P and Moody's. See "INVESTMENT CONSIDERATIONS—Bond Insurance Risk Factors," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

Bond Counsel… Schwartz, Page & Harding, L.L.P., Houston, Texas.

Special Tax Counsel… McCall, Parkhurst & Horton L.L.P., Dallas, Texas.

Underwriter's Counsel… McCall, Parkhurst & Horton L.L.P., Houston, Texas.

Paying Agent/Registrar… Regions Bank, Houston, Texas.

Escrow Agent… Regions Bank, Houston, Texas.

Verification Agent… Public Finance Partners LLC, Minneapolis, Minnesota.

THE DISTRICT

Description...	The District is a political subdivision of the State of Texas, created by order of the Texas Commission on Environmental Quality (the "Commission"), dated July 30, 2004, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District consists of approximately 238 acres of land. See "THE DISTRICT."
Location…	The District is located in southeastern Montgomery County, south of North Park Drive and east of US Highway 59. The District is located approximately 25 miles northeast of the central downtown business district of the City of Houston. The District is located entirely within the extraterritorial jurisdiction of the City of Houston and within the boundaries of the New Caney Independent School District. See "THE DISTRICT."
Status of Development...	Approximately 202 acres have been developed into Kings Mill, Sections 1 through 12 which collectively encompass 915 lots. As of January 10, 2019, 738 homes were completed and occupied, 3 homes were completed and vacant, 45 homes were listed in a builder's name and 129 developed lots were available for home construction. Anglia Homes is currently building homes in Kings Mill, Sections 10 through 12 which range in price from approximately $221,000 to $315,000. Approximately 25 acres of land in the District have been developed with trunk water, sewer and drainage facilities to serve commercial development. A Dairy Queen restaurant has been constructed on approximately 1.22 acres of such land, and a strip shopping center has been constructed on approximately 1.8 acres of land. In addition a Christian Brothers Automotive has been constructed on an approximately 1 acre tract of land. Approximately 11 acres of land in the District are undevelopable, which includes detention sites, plant sites and parks and open spaces. See "THE DISTRICT—Status of Development." See "THE DISTRICT—Status of Development."

INVESTMENT CONSIDERATIONS

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THIS ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, INCLUDING PARTICULARLY THE SECTION CAPTIONED "INVESTMENT CONSIDERATIONS."

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2018 Certified Taxable Assessed Valuation	$180,227,017	(a)
Gross Direct Debt Outstanding	$16,265,000	(b)
Estimated Overlapping Debt	24,121,175	(c)
Gross Direct Debt and Estimated Overlapping Debt	$40,386,175	
Ratio of Gross Direct Debt to:		
2018 Certified Taxable Assessed Valuation	9.02%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2018 Certified Taxable Assessed Valuation	22.41%	
Debt Service Funds Available as of February 7, 2019	$1,247,974	(d)
Operating Funds Available as of February 7, 2019	$2,729,846	
2018 Debt Service Tax Rate	$0.615	
2018 Maintenance Tax Rate	0.470	
2018 Total Tax Rate	$1.085	
Average Annual Debt Service Requirement (2019-2042)	$980,745	(d)
Maximum Annual Debt Service Requirement (2019)	$1,174,899	(d)
Tax Rates Required to Pay Average Annual Debt Service (2019-2042) at a 95% Collection Rate Based upon 2018 Certified Taxable Assessed Valuation	$0.58	(e)
Tax Rates Required to Pay Maximum Annual Debt Service (2019) at a 95% Collection Rate Based upon 2018 Certified Taxable Assessed Valuation	$0.69	(e)
Status of Development as of January 28, 2019:		
Completed and Occupied Single Family Homes	738	
Completed and Unoccupied Single Family Homes	3	
Homes Listed in Builder’s Name	45	
Vacant Lots	129	
Commercial Connections	5	
Estimated Population	2,583	(f)

(a) As certified by the Montgomery Central Appraisal District (the “Appraisal District”). See “TAX PROCEDURES.”
(b) After the issuance of the Bonds. See “PLAN OF FINANCING—Outstanding Bonds.”
(c) See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt” and “Overlapping Taxes.”
(d) See “PLAN OF FINANCING—Debt Service Requirements.”
(e) See “TAX DATA—Tax Adequacy Debt Service” and “INVESTMENT CONSIDERATIONS—Maximum Impact on District Tax Rate”.
(f) Based upon 3.5 persons per occupied single-family residence.

OFFICIAL STATEMENT

$2,310,000

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98

(A political subdivision of the State of Texas located within Montgomery County)

UNLIMITED TAX REFUNDING BONDS SERIES 2019

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Montgomery County Municipal Utility District No. 98 (the "District") of its $2,310,000 Unlimited Tax Refunding Bonds, Series 2019 (the "Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapter 1207 of the Texas Government Code, as amended; Chapters 49 and 54 of the Texas Water Code, as amended, City of Houston Ordinance No. 97-416, an election held within the District, and an Order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board").

This Official Statement includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of documents may be obtained from the District c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Boulevard, Suite 1400, Houston, Texas 77056, upon payment of the cost of duplication.

PLAN OF FINANCING

Purpose

The proceeds of the Bonds and lawfully available debt service funds are being used to refund and defease the outstanding portion of two series of the District's Outstanding Bonds as listed below in "Refunded Bonds" totaling $2,165,000 (the "Refunded Bonds") in order to achieve a net savings in the District's debt service expense. The proceeds will also be used to pay the costs of issuance of the Bonds. See "Sources and Uses of Funds" below. A total of $13,955,000 in principal amount of the Outstanding Bonds will remain outstanding after the issuance of the Bonds (the "Remaining Outstanding Bonds").

Outstanding Bonds

The following table lists the original principal amount and the current principal balance of the Outstanding Bonds as of April 2, 2019, the Refunded Bonds and the Remaining Outstanding Bonds.

Series	Original Principal Amount	Principal Outstanding As of April 2, 2019	Refunded Bonds	Remaining Outstanding Bonds
Unlimited Tax Bonds, Series 2010	$ 1,125,000	$ 805,000	$ 805,000	$ -
Unlimited Tax Bonds, Series 2011	1,600,000	1,360,000	1,360,000	-
Unlimited Tax Bonds, Series 2013	1,385,000	1,155,000		1,155,000
Unlimited Tax Refunding Bonds, Series 2015	2,350,000	1,795,000		1,795,000
Unlimited Tax Bonds, Series 2015A	2,800,000	2,555,000		2,555,000
Unlimited Tax Bonds, Series 2016	4,300,000	4,000,000	-	4,000,000
Unlimited Tax Bonds, Series 2017	4,645,000	4,450,000	-	4,450,000
Total	$ 18,205,000	$ 16,120,000	$ 2,165,000	$ 13,955,000
The Bonds				2,310,000
The Bonds and Remaining Outstanding Bonds				$ 16,265,000

Refunded Bonds

The following table lists the principal amounts and maturity dates of the Refunded Bonds and the Redemption Dates on which the Refunded Bonds will be redeemed.

Maturity Date	Principal Amounts Series 2010	Principal Amounts Series 2011
2020	$ 40,000	$ 45,000
2021	40,000	45,000
2022	40,000	50,000
2023	40,000	50,000
2024	40,000	50,000
2025	40,000	50,000
2026	40,000	55,000
2027	40,000	65,000
2028	40,000	65,000
2029	40,000	85,000
2030	195,000	85,000
2031	210,000	85,000
2032	-	305,000
2033		325,000
	$ 805,000	$ 1,360,000
Redemption Date:	April 23, 2019	April 23, 2019

Sources and Uses of Funds

The proceeds derived from the sale of the Bonds and lawfully available debt service funds, exclusive of accrued interest, along with the transfer from the debt service fund, will be applied as follows:

Sources of Funds:	
Principal Amount of the Bonds	$2,310,000.00
Net Discount on the Bonds	($21,134.05)
Transfer from Debt Service Fund	5,000.00
Total Sources of Funds	$2,293,865.95
Uses of Funds:	
Deposit to Escrow Fund	$2,171,361.59
Issuance Expenses and Underwriters' Discount (a)	122,504.36
Total Uses of Funds	$2,293,865.95

(a) Includes municipal bond insurance premium.

Escrow Agreement

The Refunded Bonds, and the interest due thereon, are to be paid on their scheduled interest payment dates until final payment or their redemption dates, from funds to be deposited with Regions Bank, Houston, Texas, as escrow agent (the "Escrow Agent").

The Bond Order provides that the District and the Escrow Agent will enter into an escrow agreement (the "Escrow Agreement") to be dated as of the date of the sale of the Bonds but effective on the date of delivery of the Bonds (expected to be April 17, 2019). The Bond Order further provides that from the proceeds of the sale of the Bonds, along with certain other lawfully available funds of the District, if any, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a segregated escrow account (the "Escrow Fund"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds and will not be available to pay principal of and interest on the Bonds or the Remaining Outstanding Bonds.

Defeasance of the Refunded Bonds

By the deposit of the cash with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of the orders authorizing the issuance of the Refunded Bonds. In the opinion of Bond Counsel, as a result of such deposit, firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Bonds pursuant to the Escrow Agreement, and such Refunded Bonds will be deemed under Texas law to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in the Escrow Fund.

Debt Service Requirements

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds, plus the debt service on the Bonds ($2,310,000 principal amount).

		Less:	Plus: Debt Service on the Bonds			
Year	Outstanding Debt Service	Refunded Bonds Debt Service	Principal	Interest	Total	Debt Service Requirements
2019	$ 1,194,624	$ 52,049	$ -	$ 32,325	$ 32,325	$ 1,174,899
2020	1,144,726	187,351	105,000	63,075	168,075	1,125,450
2021	1,130,116	183,804	105,000	59,925	164,925	1,111,237
2022	1,134,695	185,039	110,000	56,700	166,700	1,116,356
2023	1,129,801	181,064	110,000	53,950	163,950	1,112,687
2024	1,120,552	176,999	110,000	51,750	161,750	1,105,303
2025	1,120,219	172,844	105,000	49,600	154,600	1,101,975
2026	1,113,828	173,506	110,000	47,313	157,313	1,097,634
2027	1,121,280	178,774	115,000	44,638	159,638	1,102,144
2028	1,112,148	173,751	115,000	41,475	156,475	1,094,872
2029	1,101,843	188,184	135,000	37,725	172,725	1,086,384
2030	1,049,853	333,197	285,000	31,425	316,425	1,033,081
2031	1,040,600	333,875	295,000	22,725	317,725	1,024,450
2032	1,025,075	328,875	300,000	13,800	313,800	1,010,000
2033	1,023,356	333,125	310,000	4,650	314,650	1,004,881
2034	996,972					996,972
2035	973,875					973,875
2036	947,500					947,500
2037	1,019,125					1,019,125
2038	988,938					988,938
2039	958,313					958,313
2040	731,563					731,563
2041	315,188					315,188
2042	305,063					305,063
Total	$ 23,799,251	$ 3,182,436	$ 2,310,000	$ 611,075	$ 2,921,075	$ 23,537,890

Maximum Annual Debt Service Requirement (2019) $1,174,899
Average Annual Debt Service Requirements (2019-2042) $980,745

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order, a copy of which is available from Bond Counsel upon payment of the costs of duplication therefor. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

Description

The Bonds will be dated April 1, 2019, with interest payable on October 1, 2019, and on each April 1 and October 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds initially accrues from April 1, 2019, and thereafter, from the most recent Interest Payment Date. The Bonds mature on April 1 of the years and in the amounts and accrue interest at the rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the cover page hereof. The Bonds are issued in fully registered form only in denominations of $5,000 or any integral multiple of $5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry system described herein ("Registered Owners"). No physical delivery of the Bonds will be made to the purchasers thereof. See "BOOK-ENTRY-ONLY SYSTEM." Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

Authority for Issuance

At an election held within the District on November 2, 2004, voters of the District authorized a total of $30,000,000 principal amount of unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District. The Bonds are issued by the District pursuant to said election and to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapter 1207, Texas Government Code, as amended; Chapters 49 and 54 of the Texas Water Code, as amended; and City of Houston Ordinance No. 97-416.

Source of and Security for Payment

The Bonds, together with the Remaining Outstanding Bonds and any additional bonds payable from ad valorem taxes, are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. See "TAX PROCEDURES." Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See "INVESTMENT CONSIDERATIONS." The Bonds are obligations solely of the District and are not obligations of the City of Houston, Montgomery County, the State of Texas, or any political subdivision or entity other than the District.

Funds

The Bond Order confirms the establishment of the District's Bond Fund (the "Bond Fund"), which Bond Fund was created and established pursuant to the orders of the Board of Directors of the District authorizing the issuance of the Previously Issued Bonds. Accrued interest on the Bonds will be deposited from the proceeds of the sale of the Bonds into the Bond Fund. The Bond Fund, which constitutes a trust fund for the benefit of the owners of the Bonds, the Remaining Outstanding Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds, the Remaining Outstanding Bonds and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Bond Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds, the Remaining Outstanding Bonds and any additional bonds payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Record Date

The record date for payment of the interest on any regularly scheduled interest payment date is defined as the 15th day of the month (whether or not a business day) preceding such interest payment date.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or after April 1, 2026, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on April 1, 2025, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY- ONLY SYSTEM." Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

By the redemption date, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Method of Payment of Principal and Interest

The Board has appointed Regions Bank, Houston, Texas, as the initial Paying Agent/Registrar for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid. See "BOOK-ENTRY-ONLY SYSTEM."

Registration

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Beneficial Owner's income for federal income tax purposes. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully-registered Bond will be issued for each maturity of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM." So long as any Bonds remain outstanding, the District will maintain at least one paying agent/registrar in the State of Texas for the purpose of maintaining the Register on behalf of the District.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall be required to accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a duly qualified and competent trust or banking corporation or organization organized and doing business under the laws of the United States of America or of any State thereof, with a combined capital and surplus of at least $25,000,000, which is subject to supervision of or examination by federal or state banking authorities, and which is a transfer agent duly registered with the United States Securities and Exchange Commission.

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is quoted from Section 49.186 of the Texas Water Code, and is applicable to the District:

"(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic."

"(b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them."

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) also provides that bonds of the District (including the Bonds) are eligible as collateral for public funds.

No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment or collateral purposes. No representation is made concerning other laws, rules, regulations, or investment criteria which apply to or which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

Issuance of Additional Debt

The District's voters have authorized the issuance of a total of $30,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and could authorize additional amounts. The District currently has $11,255,000 principal amount of unlimited tax bonds authorized but unissued for said improvements and facilities. The District's voters have also authorized a total of $30,000,000 principal amount of unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District and could authorize additional amounts. After the issuance of the Bonds, the District will have $29,725,000 principal amount of unlimited tax refunding bonds authorized but unissued.

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) approval of the master plan and issuance of bonds by the Texas Commission on Environmental Quality (the "Commission" or "TCEQ"); and (c) approval of bonds by the Attorney General of Texas. The District does not provide fire protection service, and the Board has not considered calling such an election at this time. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

Financing Road Facilities

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the Commission for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the Commission, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the Commission for "road powers", nor calling such an election at this time. Issuance of bonds for roads could dilute the investment security for the Bonds.

Financing Recreational Facilities

Conservation and reclamation districts in certain counties are authorized to develop and finance with property taxes certain recreational facilities after a district election has been successfully held to approve the issuance of bonds payable from taxes and/or a maintenance tax to support recreational facilities.

The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the District at the time of issuance of the bonds, or an amount greater than the estimated cost of the plan, whichever amount is smaller; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the Commission in accordance with its rules with respect to same; and (vi) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. In addition, the District is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed 10 cents per $100 of assessed valuation of taxable property in the District, after such tax is approved at an election. Said maintenance tax is in addition to any other maintenance tax authorized to be levied by the District.

The District has not considered calling an election for such purposes but could consider doing so in the future.

The issuance of bonds for recreational facilities could dilute the security for the Bonds.

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District may be annexed for full purposes by the City of Houston, subject to compliance by the City of Houston with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Effective December 1, 2017, such requirements may include the requirement that the City of Houston hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City of Houston must assume the District's assets and obligations (including the Bonds and the Remaining Outstanding Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and, therefore, the District makes no representation that the City of Houston will ever attempt to annex the District for full purposes and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur. Under the terms of the SPA (as hereinafter defined) between the District and the City of Houston, however, the City has agreed not to annex the District for full purposes (a traditional municipal annexation) for at least thirty (30) years from the effective date of the SPA. See "THE DISTRICT—Strategic Partnership Agreement.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater systems of the district or districts with which it is consolidating, subject to voter approval. In their consolidation agreement, the consolidating districts may agree to assume each other's bonds, notes and other obligations. If each district assumes the other's bonds, notes and other obligations, taxes may be levied uniformly on all taxable property within the consolidated district in payment of same. If the districts do not assume each other's bonds, notes and other obligations, each district's taxes are levied on property in each of the original districts to pay said debts created by the respective original district as if no consolidation had taken place. No representation is made concerning whether the District will consolidate with any other district, but the District currently has no plans to do so.

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Certain traditional legal remedies may also not be available. See "INVESTMENT CONSIDERATIONS—Registered Owners' Remedies and Bankruptcy Limitations".

Defeasance

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) for obligations of the District payable from revenues or from ad valorem taxes or both, or a commercial bank or trust company designated in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as currently permitted under Texas law.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book- Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither of the District or the Financial Advisor take any responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Principal, premium, if any, interest payments and redemption proceeds on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest payments and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

THE DISTRICT

General

The District is a municipal utility district created by an order of the Texas Commission on Environmental Quality dated July 30, 2004, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City of Houston, is subject to the continuing supervisory jurisdiction of the Commission.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, municipalities or other political subdivisions, after approval by the Commission and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities and may also, subject to the granting of road powers by the Commission and certain limitations, develop and finance roads. See "THE BONDS—Issuance of Additional Debt," "Financing Recreational Facilities" and "Financing Road Facilities."

The District is required to observe certain requirements of the City of Houston which limit the purposes for which the District may sell bonds to finance the acquisition, construction, and improvement of waterworks, wastewater, drainage, recreational, road and fire-fighting facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Houston of District construction plans; and permit connections only to lots and reserves described in a plat that has been approved by the City of Houston and filed in the real property records of Montgomery County. The District is also required to obtain certain Commission approvals prior to acquiring, constructing and financing road and fire-fighting facilities, as well as voter approval of the issuance of bonds for said purposes and/or for the purposes of financing recreational facilities. Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE SYSTEM."

Strategic Partnership Agreement

The District and the City of Houston (the "City") have entered into a Strategic Partnership Agreement dated effective November 22, 2013 (the "SPA") pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for a "limited purpose annexation" for that portion of the District which is developed for retail and commercial purposes in order to apply certain City health, safety, planning and zoning ordinances within the District. Areas of residential development within the District are not subject to the limited purpose annexation. The SPA also provides that the City will not annex the District for "full purposes" for at least thirty (30) years from the effective date of the SPA. Also, as a condition to full purpose annexation, any unpaid reimbursement obligations due to a developer by the District for water, wastewater and drainage facilities must be assumed by the City to the maximum extent permitted by Commission rules. The procedures for full purpose annexation under the SPA may differ from those otherwise applicable under Chapter 43, Texas Local Government Code, including any requirements for an election. See "THE BONDS—Annexation."

As of the effective date of the SPA, the City was authorized to impose the one percent (1%) City sales and use tax within the portion of the District included in the limited purpose annexation. Such portion includes primarily the 25 acres of retail and commercial development within the District. The City is to pay to the District an amount equal to one half (1/2) of all sales and use tax revenue generated within such area of the District and received by the City from the Comptroller of Public Accounts of the State of Texas (the "Sales Tax Revenue"). Pursuant to State law, the District is authorized to use Sales Tax Revenue generated under the SPA for any lawful purpose. None of the anticipated Sales Tax Revenue is pledged toward the payment of principal and interest on the Bonds or the Remaining Outstanding Bonds.

Description and Location

The District is located in southeastern Montgomery County, south of North Park Drive and east of US Highway 59. The District is located approximately 25 miles northeast of the central downtown business district of the City of Houston. The District is located entirely within the extraterritorial jurisdiction of the City of Houston and within the boundaries of the New Caney Independent School District. The District is located in Montgomery County, approximately 22 miles northwest of the central downtown business district of The District presently contains approximately 238 acres.

Residential Development

Approximately 202 acres have been developed into Kings Mill, Sections 1 through 12 which collectively encompass 915 lots. As of January 10, 2019, 738 homes were completed and occupied, 3 homes were completed and vacant, 45 homes were listed in a builder's name and 129 developed lots were available for home construction.

Anglia Homes is currently building homes in Kings Mill, Sections 10 through 12 which range in price from approximately $221,000 to $315,000.

Commercial Development

Approximately 25 acres of land in the District have been developed with trunk water, sewer and drainage facilities to serve commercial development. A Dairy Queen restaurant has been constructed on approximately 1.22 acres of such land, and a strip shopping center has been constructed on approximately 1.8 acres of land. In addition a Christian Brothers Automotive has been constructed on an approximately 1 acre tract of land.

Undeveloped Acreage

Approximately 11 acres of land in the District are undevelopable, which includes detention sites, plant sites and parks and open spaces. There is no additional undeveloped land in the District.

MANAGEMENT

Board of Directors

The District is governed by the Board, currently consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to staggered four-year terms in May of even numbered years only. All of the Board members either reside or own property within the District. The current members and officers of the Board along with their titles and terms, are listed as follows:

Name	Title	Term Expires
Andy Rodriguez, Jr.	President	May 2022
Garth Howard	Vice President	May 2020
Ken Wolf	Secretary	May 2020
Joe Chernow	Assistant Secretary	May 2022
Anthony Dainard	Assistant Secretary	May 2020

The District has no full-time employees but instead contracts with the entities described below for professional services:

Tax Assessor/Collector

Land and improvements in the District are being appraised for taxation by the Montgomery Central Appraisal District. The District contracts with Wheeler & Associates, Inc. to act as Tax Assessor/Collector for the District.

System Operator

The District contracts with Municipal Operations & Consulting, Inc. for maintenance and operation of the District's system.

Bookkeeper

The District contracts with Municipal Accounts & Consulting, L.P. for bookkeeping services for the District.

Engineer

The District's consulting engineer is Edminster, Hinshaw, Russ & Associates, Inc. (the "Engineer").

Auditor

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which audited financial statements are filed with the Commission. The financial statements of the District, as of February 28, 2018, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's February 28, 2018, audited financial statements.

Bond Counsel and General Counsel

Schwartz, Page & Harding, L.L.P. ("Bond Counsel") serves as bond counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Schwartz, Page & Harding, L.L.P. serves as general counsel to the District on matters other than the issuance of bonds.

Special Tax Counsel

McCall, Parkhurst & Horton L.L.P. serves as Special Tax Counsel to the District. The fee to be paid Special Tax Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

Financial Advisor

Masterson Advisors LLC (the "Financial Advisor") serves as financial advisor to the District. The fee to be paid the Financial Advisor is contingent upon sale and delivery of the Bonds.

THE SYSTEM

Regulation

According to the Engineer, the District's water distribution, wastewater collection, and storm drainage facilities (collectively, the "System") have been designed in accordance with accepted engineering practices and the then current requirements of various agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction and operation of the System was to be accomplished in accordance with the standards and specifications and requirements of such entities and is subject to inspection by each such entity. The Commission exercises continuing supervisory authority over the District. Discharge of treated sewage is subject to the regulatory authority of the Commission and the U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the Harris County Flood Control District, Montgomery County and, in some instances, the Commission. Montgomery County, the City of Houston, and the Texas Department of Health also exercise regulatory jurisdiction over the System. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. In particular, additional or revised requirements in connection with any permit for the wastewater treatment plant which provides service to the District beyond the criteria existing at the time of construction of the plant could result in the need to construct additional facilities in the future. The following descriptions are based upon information supplied by the District's Engineer.

Water Distribution and Sanitary Sewer Collection and Drainage System

The District's System includes water, sanitary sewer and drainage facilities to serve the subdivisions and land described under the section "THE DISTRICT—Residential Development and "—Commercial Development."

Water Supply

The District receives potable water from the City of Houston pursuant to a Treated Water Supply Contract (the "Water Agreement"). The District has available water supply capacity pursuant to the Water Agreement in an amount sufficient to serve current development within the District, and has the option to reserve additional capacity to serve future development as needed.

The District has a water re-pressurization plant, which includes a 200,000 gallon ground storage tank and a 80,000 gallon ground storage tank, a 10,000 gallon and a 20,000 gallon (30,000 gallon total) hydro-pneumatic tank, and booster pumps.

The District's water supply system is sufficient to serve 1,125 equivalent single family connections. The District is currently serving 759 equivalent single family connections.

Subsidence District Requirements

The District is within the boundaries of the Lone Star Groundwater Conservation District (the "Conservation District") which was created by the Texas legislature to conserve, protect and enhance the groundwater resources of Montgomery County. The Conservation District has adopted rules and a regulatory plan for the conservation, preservation, protection, recharge and prevention of waste of groundwater, groundwater reservoirs or their subdivisions and to control subsidence caused by the withdrawal of groundwater from those groundwater resources or their subdivisions. The District receives its water supply from the City of Houston and therefore is not subject to the rules of the Conservation District.

Wastewater Treatment

Wastewater treatment for the District is provided by the City of Houston's Kingwood West Wastewater Treatment Plant, pursuant to a Sanitary Sewer Service Agreement with the City of Houston. The District has the right to capacity in the amount of 315,000 gallons per day or 1,260 equivalent single-family connections (at 250 gallons per day per equivalent single-family connection).

Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes built in such area will not be flooded. The District's drainage system has been designed and constructed to all current standards.

No areas in the District are located within the 100-year flood plain.

FINANCIAL STATEMENT (UNAUDITED)

2018 Certified Taxable Assessed Valuation	$180,227,017	(a)
Gross Direct Debt Outstanding	$16,265,000	(b)
Estimated Overlapping Debt	24,121,175	(c)
Total Gross Direct Debt and Estimated Overlapping Debt	$40,386,175	
Ratio of Gross Direct Debt to: 2018 Certified Taxable Assessed Valuation	9.02%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to: 2018 Certified Taxable Assessed Valuation	22.41%	
Debt Service Funds Available as of February 7, 2019	$1,247,974	(d)
Operating Funds Available as of February 7, 2019	$2,729,846	

Area of District – 238 Acres
Estimated 2019 Population – 2,583 (e)

(a) As certified by the Montgomery Central Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."
(b) After the issuance of the Bonds. See "PLAN OF FINANCING—Outstanding Bonds."
(c) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt" and "Overlapping Taxes."
(d) See "PLAN OF FINANCING—Debt Service Requirements."
(e) Based upon 3.5 persons per occupied single-family residence.

District Investment Policy

The policy of the District is to invest District funds only in instruments which further the following investment objectives of the District stated in order of importance: (1) preservation and safety of principal; (2) liquidity; and (3) yield. The District does not currently own, nor does it anticipate the inclusion of, long term securities or derivative products in the District portfolio.

WATER AND SEWER OPERATIONS

General

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. However, net revenues, if any, derived from operation of the District's water and sewer operations are not pledged to the payment of the Bonds but are available for any lawful purpose including the payment of debt service on the Bonds and the Remaining Outstanding Bonds, at the discretion and upon action of the Board. It is not anticipated that any significant revenues will be available for the payment of debt service on the Bonds or the Remaining Outstanding Bonds.

Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements. Reference is made to such records and statements for further and more complete information.

	Unaudited March 1, 2018 thru December 31, 2018 (a)	Fiscal Year Ended February 28, 2018	2017	2016	2015
REVENUES:					
Property Taxes	$ 96,238	$ 821,475	$ 725,977	$ 564,199	$ 456,471
Water Service	280,725	325,810	305,747	274,461	221,775
Sewer Service	524,975	560,818	531,927	474,093	385,074
Penalty and Interest	27,948	34,407	32,172	31,489	32,491
Tap Connection and Inspection Fees	33,138	68,913	65,050	92,325	70,725
Investment Income	23,340	17,793	9,084	4,744	3,424
Other Income	2,976	3,451	3,974	3,435	2,623
TOTAL REVENUES	$ 989,340	$ 1,832,667	$ 1,673,931	$ 1,444,746	$ 1,172,583
EXPENDITURES					
Purchased Services	$ 641,063	$ 658,858	$ 589,169	$ 521,329	$ 404,672
Professional Fees	75,905	108,798	138,213	93,860	90,574
Contracted Services	178,219	208,583	173,212	149,204	132,659
Utilities	9,478	9,363	8,942	9,290	10,602
Repairs and Maintenance	126,707	80,983	253,046	133,818	104,684
Other Expenditures	60,703	82,228	95,883	105,895	87,652
Capital Outlay	8,789	22,817		137,965	
TOTAL EXPENDITURES	$ 1,100,864	$ 1,171,630	$ 1,258,465	$ 1,151,361	$ 830,843
NET REVENUES	$ (111,524)	$ 661,037	$ 415,466	$ 293,385	$ 341,740
Interfund Transfers			$ 122,903		
Fund Balance (Beginning of Period)	$ 2,784,563	$ 2,123,526	$ 1,585,157	$ 1,291,772	$ 950,032
Fund Balance (End of Period)	$ 2,673,039	$ 2,784,563	$ 2,123,526	$ 1,585,157	$ 1,291,772

ESTIMATED OVERLAPPING DEBT STATEMENT

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas or other publicly available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

Taxing Jurisdiction	Outstanding Debt	As of	Overlapping Percent	Overlapping Amount
Montgomery County…..	$ 545,775,000	1/31/2019	0.340%	$ 1,855,635
Lone Star College System…………………………….	611,710,000	1/31/2019	0.090%	550,539
New Caney Independent School District…………...	461,040,353	1/31/2019	4.710%	21,715,001
Total Estimated Overlapping Debt………………….				$ 24,121,175
The District…………………………………………….	16,265,000	(a)	100.00%	16,265,000
Total Direct and Estimated Overlapping Debt……..				$ 40,386,175

(a) After issuance of the Bonds.

Overlapping Taxes for 2018

Overlapping Entity	2018 Tax Rate per $100 Assessed Valuation
Montgomery County (a)	$ 0.466700
New Caney ISD	1.670000
Lone Star College System	0.107800
The District	1.085000
Total	$ 3.329500

TAX DATA

Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. This summary has been prepared for inclusion herein, based upon information from District records. Reference is made to such records for further and more complete information.

Tax Year	Taxable Assessed Valuation (a)	Tax Rate	Total Tax Levy (b)	Total Collections as of February 28, 2019 (c) Amount	Percent
2014	$ 91,931,475	$ 1.210	$ 1,112,368	$ 1,109,932	99.78%
2015	123,250,394	$ 1.165	1,435,864	1,433,283	99.82%
2016	153,218,323	$ 1.135	1,739,024	1,736,253	99.84%
2017	171,684,837	$ 1.120	1,922,867	1,920,047	99.85%
2018	180,227,017	$ 1.085	1,955,459	1,895,622	96.94%

Tax Rate Distribution

	2018	2017	2016	2015	2014
Debt Service	$ 0.615	$ 0.650	$ 0.650	$ 0.710	$ 0.710
Maintenance	$ 0.470	$ 0.470	$ 0.485	$ 0.455	$ 0.500
Total	$ 1.085	$ 1.120	$ 1.135	$ 1.165	$ 1.210

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).

Maintenance: $1.35 per $100 Assessed Valuation

Debt Service Tax

The Board will covenant in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax which, when added to other funds legally available to the District for payment of outstanding debt obligations, is adequate to provide funds to pay the principal of and interest on such debt.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. On November 2, 2004, voters in the District authorized the Board to levy such a maintenance tax in an amount not to exceed $1.35 per $100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Remaining Outstanding Bonds and any additional unlimited tax bonds which may be issued in the future. The District set a maintenance tax for 2018 in the amount of $0.47 per $100 assessed valuation.

Principal Taxpayers

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector based upon the 2018 certified tax roll of $180,227,017, which reflects ownership at January 1, 2018.

Taxpayer	Type of Property	2018 Certified Taxable Assessed Valuation	Percentage of Certified Tax Roll
Shops at Northpark Ltd.	Land & Improvements	$ 1,966,040	1.09%
Lennar Homes of Texas Land and Construction	Land	1,768,860	0.98%
Anglia Homes LP	Land & Improvements	1,743,070	0.97%
Romeo homes Texas LLC	Land & Improvements	729,400	0.40%
Global New Millennium Partners Ltd.	Land & Improvements	725,000	0.40%
Individual	Land & Improvements	468,180	0.26%
Individual	Land & Improvements	443,190	0.25%
Individual	Land & Improvements	435,620	0.24%
Woodmark Holdings LLC	Land & Improvements	418,600	0.23%
Individual	Land & Improvements	402,310	0.22%
Total		$ 9,100,270	5.05%

Summary of Assessed Valuation

The following breakdown of the 2014 through 2018 Certified Taxable Assessed Valuations has been provided by the District's Tax Assessor/Collector based on information contained in the 2014 through 2018 tax rolls of the District. Differences in values from other information herein are due to differences in dates of information provided.

	2018	2017	2016	2015	2014
Land	$ 23,242,620	$ 20,585,150	$ 20,421,610	$ 21,860,790	$ 17,491,250
Improvements	158,754,540	152,975,250	135,025,160	105,100,540	75,436,760
Personal Property	1,283,599	804,975	870,975	765,797	738,640
Less: Exemptions	(2,963,401)	(2,680,538)	(3,099,422)	(4,476,733)	(1,735,175)
Total Assessed Valuation	$ 180,317,358	$ 171,684,837	$ 153,218,323	$ 123,250,394	$ 91,931,475

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2018 Certified Taxable Assessed Valuation and no use of debt service funds on hand, and utilize tax rates necessary to pay the District's maximum and average annual debt service requirement. See "INVESTMENT CONSIDERATIONS— Impact on District Tax Rates."

Average Annual Debt Service Requirement (2019-2042)..$980,745
$0.58 Tax Rate on the 2018 Certified Taxable Assessed Valuation @ 95% collections............$993,051

Maximum Annual Debt Service Requirement (2019)...$1,174,899
$0.69 Tax Rate on the 2018 Certified Taxable Assessed Valuation @ 95% collections.........$1,181,388

TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

The Texas Tax Code (the "Property Tax Code") requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Montgomery Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units wholly within Montgomery County, including the District. Such appraisal values are subject to review and change by the Montgomery Central Appraisal Review Board (the "Appraisal Review Board"). Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Absent any such appeal, the appraisal roll, as prepared by the Appraisal District and approved by the Appraisal Review Board, must be used by each taxing jurisdiction in establishing its tax roll and tax rate. The District is eligible, along with all other conservation and reclamation districts within Montgomery County, to participate in the nomination of and vote for a member of the Board of Directors of the Appraisal District.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately-owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2019 tax year, the District has granted an exemption of $5,000 of assessed valuation for persons 65 years of age and older and to individuals who are under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, effective January 1, 2018, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of a member of (i) a member of the armed forces or, effective January 1, 2018, (ii) a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken official action to allow taxation of all such goods-in-transit personal property, but may choose to exempt same in the future by further official action.

General Residential Homestead Exemption

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than $5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For the 2019 tax year, the District has not granted a general residential homestead exemption.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to comply with the Property Tax Code. The District may challenge the level of appraisal of a certain category of property, the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption. The District may not, however, protest a valuation of any individual property.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, Texas law provides for an additional notice and, upon petition by qualified voters, an election which could result in the repeal of certain tax rate increases on residential homesteads. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) to five (5) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2019, no land within the District was designated for agricultural use, open space, inventory deferment or timberland.

Tax Abatement

The City of Houston and Montgomery County may designate all or part of the District as a reinvestment zone, and the District, Montgomery County and (if it were to annex the area) the City of Houston may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only if (i) an error or omission of a representative of the District, including the Appraisal District, caused the failure of the taxpayer to pay taxes, (ii) the delinquent taxes are paid on or before the one-hundred and eightieth (180^{th}) day after the taxpayer received proper notice of such delinquency and the delinquent taxes relate to a property for which the appraisal roll lists one or more certain specified inaccuracies, or (iii) the taxpayer submits evidence sufficient to show that the tax payment was delivered before the delinquency, date to the United States Postal Service or other delivery service, but an act or omission of the postal or delivery service resulted in the tax payment being considered delinquent. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law, is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, on January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "Estimated Overlapping Debt Statement." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law, and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "INVESTMENT CONSIDERATIONS—Tax Collection Limitations."

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not obligations of the State of Texas, Montgomery County, the City of Houston, or any other political entity other than the District, will be secured by an annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or, in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities.

Recent Extreme Weather Events; Hurricane Harvey

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced three storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015. The most recent event was Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days.

According to the District's Engineer, the District's water, sewer and drainage system did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, the District did not receive reports of any homes within the District that experienced structural flooding or other material damage as a result of Hurricane Harvey.

If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase in the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

Specific Flood Type Risks

Ponding (or Pluvial) Flood. Ponding, or pluvial, flooding occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can exceed the drainage capacity of a drainage system, which may result in water within the drainage system becoming trapped and diverted onto streets and nearby property until it is able to reach a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam, levee or reservoir.

Riverine (or Fluvial) Flood. Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheet-flow over land. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash flooding can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems downstream.

Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2018 Certified Taxable Assessed Valuation of the District (see "FINANCIAL STATEMENT") is $180,227,017. After issuance of the Bonds, the maximum annual debt service requirement will be $1,174,899 (2019) and the average annual debt service requirement will be $980,745 (2019-2042). Assuming no increase or decrease from the 2018 Certified Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of $0.69 per $100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of $1,174,899 and a tax rate of $0.58 per $100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of $980,745. See "DEBT SERVICE REQUIREMENTS". Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds and the Remaining Outstanding Bonds based upon the 2018 Certified Taxable Assessed Valuation, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event major taxpayers do not pay their District taxes timely. See "TAX PROCEDURES" and "TAX DATA—Tax Adequacy for Debt Service."

Future Debt

The District reserves in the Bond Order the right to issue the remaining $11,255,000 in principal amount of authorized but unissued unlimited tax bonds for purchasing, constructing, acquiring, owning, operating, repairing, improving or extending a water, sewer and drainage system for the District and the $29,725,000 in principal amount of authorized but unissued unlimited tax bonds for the purpose of refunding the outstanding bonds of the District. The District currently owes Friendswood Development Company, LLC, the developer of the commercial acreage, approximately $1,665,000 for facilities constructed on behalf of the District. The District's obligation to pay this amount is subject to the developer's performance of certain conditions set forth in its development agreement with the District. It is expected that the District may issue additional bonds to reimburse Friendswood Development Company, LLC for such facilities. In addition, the District may issue any additional bonds approved by District voters in future elections. See "THE BONDS—Issuance of Additional Debt," "Financing Road Facilities," and "Financing Parks and Recreational Facilities." The issuance of such obligations may adversely affect the investment security of the Bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS – Issuance of Additional Debt." The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board and any bonds issued to acquire or construct water, sewer and drainage facilities or recreational facilities must be approved by the Commission. The Engineer has stated that the District's authorized but unissued bonds will be adequate to complete the development of the District.

Environmental Regulations

Wastewater treatment, water supply, storm sewer facilities and construction activities within the District are subject to complex environmental laws and regulations at the federal, state and local levels that may require or prohibit certain activities that affect the environment, such as:

- Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;
- Restricting the manner in which wastes are treated and released into the air, water and soils;
- Restricting or regulating the use of wetlands or other properties; or
- Requiring remedial action to prevent or mitigate pollution.

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality (the "TCEQ") may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston Galveston area ("HGB area")—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion ("ppb")) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 ("the 1997 Ozone Standards"); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 ("the 2008 Ozone Standard"), and the EPA's most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 ("the 2015 Ozone Standard). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB area, the HGB area remains subject to CAA nonattainment requirements.

The HGB area is currently designated as a severe ozone nonattainment area under the 1997 Ozone Standards. While the EPA has revoked the 1997 Ozone Standards, EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB area remained subject to continuing severe nonattainment area "anti-backsliding" requirements, despite the fact that HGB area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, EPA approved the TCEQ's "redesignation substitute" for the HGB area under the revoked 1997 Ozone Standards, leaving the HGB area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard).

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA,* 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for EPA's decision to eliminate the anti-backsliding requirements that had applied in the HGB area under the 1997 Ozone Standard. The court has not responded to EPA's April 2018 request for rehearing of the case. To address the uncertainty created by the *South Coast* court's ruling, the TCEQ has developed a formal request that the HGB area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners approved publication of a proposed HGB area redesignation request under the 1997 Ozone Standards on September 5, 2018.

The HGB area is currently designated as a "moderate" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2018. If the EPA ultimately determines that the HGB area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more-stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB area is currently designated as a "marginal" nonattainment area under the 2015 Ozone Standard. For purposes of the 2015 Ozone Standard, the HGB area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

In order to demonstrate progress toward attainment of the EPA's ozone standards, the TCEQ has established a state implementation plan ("SIP") for the HGB area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB area to reach attainment with the ozone standards by the EPA's attainment deadlines. These additional controls could have a negative impact on the HGB area's economic growth and development.

Water Supply & Discharge Issues. Water supply and discharge regulations that municipal utility districts, including the District, may be required to comply with involve: (1) public water supply systems, (2) waste water discharges from treatment facilities, (3) storm water discharges, and (4) wetlands dredge and fill activities. Each of these is addressed below:

Pursuant to the federal Safe Drinking Water Act ("SDWA") and Environmental Protection Agency's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, a municipal utility district's provision of water for human consumption is subject to extensive regulation as a public water system.

Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

In 2015, the EPA and the United States Army Corps of Engineers ("USACE") promulgated a rule known as the Clean Water Rule ("CWR") aimed at redefining "waters of the United States" over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expands the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. The CWR could have an adverse impact on municipal utility districts, including the District, particularly with respect to jurisdictional wetland determinations, and could increase the size and scope of activities requiring USACE permits. The CWR has been challenged in various jurisdictions, including the Southern District of Texas, and the litigation challenging the CWR is still pending.

On February 28, 2017, the President signed an executive order ordering the EPA and USACE to modify or rescind the CWR. In response, the EPA and the USACE subsequently released a proposed rule rescinding the CWR, reinstating the regulatory text that existed prior to the adoption of the CWR and proposing the development of a revised definition of "waters of the United States." In June 2018, the EPA and USACE issued a supplemental notice of proposed rulemaking to the 2017 proposed action to repeal the 2015 definition of "waters of the United States" to clarify that the agencies are proposing to permanently repeal the CWR in its entirety and reinstate language in place before the adoption of the CWR while developing a revised definition of "waters of the United States." Meanwhile, in January 2018, the EPA and the USACE finalized a rule extending the effective date of the CWR until 2020 while the agencies finalize actions to repeal and replace the CWR. This rule delaying the effective date of the CWR was challenged in court and, on August 16, 2018, the U.S. District Court for the District of South Carolina issued a nation-wide injunction rendering the rule extending the effective date of the CWR void, thereby reinstating the CWR in 26 states, including Texas. However, on September 12, 2018, the U.S. District Court for the Southern District of Texas temporarily enjoined the implementation of the CWR in Texas, Louisiana and Mississippi until the case filed by the States of Texas, Louisiana and Mississippi in 2015 is finally resolved.

On December 11, 2018, the EPA and USACE released the proposed replacement definition of "waters of the United States." The proposed definition outlines six categories of waters that would be considered "waters of the United States," including traditional navigable waters, tributaries to those waters, certain ditches, certain lakes and ponds, impoundments of jurisdictional waters, and wetlands adjacent to jurisdictional waters. The proposed rule also details what are not "waters of the United States," such as features that only contain water during or in response to rainfall (e.g., ephemeral features); groundwater; many ditches, including most roadside or farm ditches; prior converted cropland; stormwater control features; and waste treatment systems. The agencies will take comment on the proposal for 60 days after publication in the Federal Register. If finalized, the proposed rule would apply nationwide, replacing the patchwork framework for Clean Water Act jurisdiction that has resulted from litigation challenging the CWR.

Due to the pending rulemaking activity and rule challenge litigation, there is significant uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including permitting requirements.

Tax Collections Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedure against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See "TAX PROCEDURES—District's Rights in the Event of Tax Delinquencies."

Registered Owners' Remedies and Bankruptcy Limitations

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owner's remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, the District could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning District relief from its creditors. While such a decision might be appealable, the concomitant delay and loss of remedies to the Registered Owner could potentially and adversely impair the value of the Registered Owner's claim.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating the collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district.

A district may not be forced into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

The Bond Order contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure by the District to comply with such covenants in the Bond Order on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

Bond Insurance Risk Factors

The District has entered into an agreement with ASSURED GUARANTY MUNICIPAL CORP. ("AGM" or the "Insurer") for the purchase of a municipal bond insurance policy (the "Policy"). At the time of entering into the agreement, the Insurer was rated "AA" (stable outlook) by S&P and "A2" (stable outlook) by Moody's. See "MUNICIPAL BOND INSURANCE."

The long-term ratings on the Bonds are dependent in part on the financial strength of the Insurer and its claim paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE."

The obligations of the Insurer are contractual obligations and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the District nor the Underwriter has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

2019 Legislative Session

The 86th Regular Legislative Session convened on January 8, 2019, and will conclude on May 27, 2019. The Texas Legislature could enact laws that materially change current laws affecting ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters which could adversely affect the marketability or market value of the Bonds. The Governor of Texas has declared property tax reform as an emergency item for the legislative session, with the result that any property tax reform legislation may become effective within the first 60 days of the legislative session. In addition, the Governor may call one or more additional special sessions that may include legislation affecting property taxes. The District can make no representation regarding any actions the Texas Legislature may take or the effect of any such actions.

Marketability

The District has no agreement with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are generally bought, sold or traded in the secondary market.

MUNICIPAL BOND RATING

It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") and Moody's Investors Service ("Moody's") will assign a municipal bond rating of "AA" (stable outlook) and "A2" (stable outlook), respectively, to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. Moody's has also assigned an underlying rating of "Baa1" to the Bonds. An explanation of the ratings may be obtained from the company furnishing each rating.

The rating reflects only the view of such organizations and the District makes no representation as to the appropriateness of the rating. There is no assurance that such ratings will continue for any given period of time or that it will not be revised or withdrawn entirely by S&P, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX B to this OFFICIAL STATEMENT.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On December 21, 2018, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On June 26, 2018, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On May 7, 2018, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Capitalization of AGM

At December 31, 2018:

- The policyholders' surplus of AGM was approximately $2.533 million.

- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $1,034 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.

- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $1,873 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following document filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof: the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (filed by AGL with the SEC on March 1, 2019).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "MUNICIPAL BOND INSURANCE—Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this OFFICIAL STATEMENT or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE."

LEGAL MATTERS

Legal Opinions

The District will furnish to the Underwriter a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The District will also furnish the approving legal opinion of Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District. The District will also furnish the legal opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel to the District, to the effect that interest on the Bonds is excludable from gross income of the owners for federal income tax purposes under existing law and not subject to the alternative minimum tax on individuals, or, except as described therein, corporations.

In addition to serving as Bond Counsel, Schwartz, Page & Harding, L.L.P., also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel and Special Tax Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriter by McCall, Parkhurst & Horton L.L.P., Houston, Texas.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Legal Review

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this Official Statement under the captioned sections “PLAN OF FINANCING – Escrow Agreement,” and “ – Defeasance of the Refunded Bonds” (but only insofar as such section relates to the legal opinion of Bond Counsel), "THE BONDS," "THE DISTRICT – General”, "Strategic Partnership Agreement” and “–MANAGEMENT - Bond Counsel and General Counsel," "TAX PROCEDURES," and "LEGAL MATTERS – Legal Opinions" (but only insofar as such section relates to the opinion of Bond Counsel) solely to determine whether such information fairly summarizes the law and documents referred to therein. In its capacity as Special Tax Counsel, McCall, Parkhurst & Horton L.L.P, Dallas, Texas, has reviewed the information appearing in this Official Statement under the caption "LEGAL MATTERS – Legal Opinions" (insofar as such section relates to the opinion of Special Tax Counsel) and "TAX MATTERS" solely to determine whether such information fairly summarizes the law referred to therein. Such firms have not independently verified factual information contained in this Official Statement, nor have such firms conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firms’ limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel, will render their opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof and (2) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). Except as stated above, Special Tax Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In rendering their opinion, Special Tax Counsel will rely upon (a) the opinion of Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, that the Bonds are valid and binding obligations of the District payable from the proceeds of a generally-applicable ad valorem tax, (b) the District's federal tax certificate and the verification report prepared by Public Finance Partners, LLC, Certified Public Accountants and (c) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Although it is expected that the Bonds will qualify as tax-exempt obligations for federal income tax purposes as of the date of issuance, the tax-exempt status of the Bonds could be affected by future events. However, future events beyond the control of the District, as well as the failure to observe the aforementioned representations or covenants, could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

Special Tax Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Special Tax Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the Bonds. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Special Tax Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The Underwriter has represented that the initial public offering price to be paid for one or more maturities of the Bonds (the “Original Issue Discount Bonds”), as stated on the cover of the Official Statement, is less than the principal amount thereof. As such, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds.

Under existing law, such an owner is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period for which such Original Issue Discount Bond continues to be owned by such owner. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law which is subject to change or modification retroactively.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, including financial institutions, life insurance and property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and individuals otherwise allowed an earned income credit. THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM RECENTLY ENACTED LEGISLATION OR THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under Section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Qualified Tax-Exempt Obligations

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on- behalf of" and "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(1)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations." Potential purchasers should be aware that if the issue price to the public exceeds $10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of $10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the aforementioned dollar limitation and the Bonds would not be "qualified tax-exempt obligations."

VERIFICATION OF MATHEMATICAL CALCULATIONS

Public Finance Partners LLC will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the funds deposited with the Paying Agent for the Refunded Bonds, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds, (b) the mathematical computations of yield used by Special Tax Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes and (c) compliance with the City of Houston Ordinance No. 97-416.

Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, Public Finance Partners LLC has relied on any information provided to it by the District's retained advisors, consultants or legal counsel.

NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President or Vice President and Secretary or Assistant Secretary of the Board will, on behalf of the District, execute and deliver to the Underwriter a certificate dated as of the date of delivery, to the effect that no litigation of any nature of which the District has notice is pending against or, to the knowledge of the District's certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources believed to be reliable. No guarantee is made by the District as to the accuracy or completeness of the information derived from sources other than the District, and the inclusion herein of information from sources other than the District is not to be construed as a representation on the part of the District to such effect, except as described below under "Certification of Official Statement." Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this Official Statement. In addition to compiling and editing, the Financial Advisor has obtained the information set forth herein under the caption indicated from the following sources: "THE DISTRICT" and "THE SYSTEM"—Edminster, Hinshaw, Russ & Associates, Inc. "THE BONDS" and "LEGAL MATTERS – Legal Opinions" (insofar as such section relates to the legal opinion of Bond Counsel and Special Tax Counsel)—Schwartz, Page & Harding, L.L.P. and McCall, Parkhurst & Horton L.L.P., as applicable; "TAX MATTERS"— McCall, Parkhurst & Horton L.L.P.; "FINANCIAL STATEMENT" and "TAX DATA"— Montgomery Central Appraisal District, Wheeler & Associates, Inc. and the Municipal Advisory Council.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Underwriter

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Consultants

In approving this Official Statement, the District has relied upon the following consultants. Each consultant has agreed to the use of information provided by such firms.

Engineer: The information contained in this Official Statement relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT," and "THE SYSTEM" (as it relates to District facilities) has been provided by Edminster, Hinshaw, Russ & Associates, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Appraisal District: The information contained in this Official Statement relating to the Assessed Valuations of the District has been provided by the Montgomery Central Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Montgomery County, including the District.

Tax Assessor Collector: The information contained in this Official Statement relating to the historical breakdown of the Certified Taxable Assessed Valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by Wheeler & Associates, Inc. and is included herein in reliance upon Wheeler & Associates, Inc. as an expert in collecting taxes.

Auditor: The financial statements of the District, as of February 28, 2018, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's February 28, 2018 audited financial statements.
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Updating the Official Statement

If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Underwriter, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time as required by law (but not more than 90 days after the date the District delivers the Bonds).

Certification of Official Statement

The District, acting through its Board in its official capacity and reliance upon the experts listed above, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this OFFICIAL STATEMENT other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the official executing this certificate may state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide annually to the MSRB certain updated financial information and operating data. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "FINANCIAL STATEMENT," "TAX DATA," "THE SYSTEM" "WATER AND SEWER OPERATIONS", "PLAN OF FINANCING—Debt Service Requirements" (most of which information is contained in the District's audited financial statements in Appendix A (Independent Auditor's Report and Financial Statements of the District and Certain Supplemental Schedules)). The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2019.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial statements by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is February 28. Accordingly, it must provide updated information by August 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Specified Event Notices

The District will provide timely notices of certain events to the MRSB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material to a decision to purchase or sell Bonds; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "financial obligation" and "material" when used in this paragraph shall have the meanings ascribed to them under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from the MSRB

The District has agreed to provide the foregoing updated information only to the MSRB. The MSRB makes the information available to the public without charge through an internet portal at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although Holders and beneficial owners of the Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with SEC Rule 15c2-12, taking into account any amendments and interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as changed circumstances, and either the Holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as a nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of SEC Rule 15c2-12 or a court of final jurisdiction determines that such provisions are invalid but in either case, only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12 with the exception of the following: When the District filed its Annual Financial Information and Operating Data for the fiscal year ending February 28, 2014, it failed to link CUSIPS for its Series 2010, Series 2011 and Series 2013 Bonds. The 2014 annual filing for the missing CUSIPS was made on March 12, 2019.

MISCELLANEOUS

All estimates, statements and assumptions in this Official Statement and the Appendix hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

This Official Statement was approved by the Board of Directors of Montgomery County Municipal Utility District No. 98, as of the date shown on the cover page.

/s/ Andy Rodriguez, Jr.
President, Board of Directors

ATTEST:

/s/ Ken Wolf
Secretary, Board of Directors

APPENDIX A

Independent Auditor's Report and Financial Statements of the District for the year ended February 28, 2018

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FEBRUARY 28, 2018

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FEBRUARY 28, 2018

T A B L E   O F   C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Montgomery County Municipal
Utility District No. 98
Montgomery County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Montgomery County Municipal Utility District No. 98 (the "District"), as of and for the year ended February 28, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of February 28, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

June 7, 2018

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 28, 2018

Management's discussion and analysis of Montgomery County Municipal Utility District No. 98's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended February 28, 2018. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District's assets, liabilities, and deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by $993,515 as of February 28, 2018.

A portion of the District's net position reflects its net investment in capital assets (water, wastewater and drainage facilities less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water and wastewater services.

The following is a comparative analysis of government-wide changes in net position:

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2018	2017	Change Positive (Negative)
Current and Other Assets	$ 7,965,494	$ 4,966,582	$ 2,998,912
Capital Assets (Net of Accumulated Depreciation)	12,930,638	12,123,309	807,329
Total Assets	$ 20,896,132	$ 17,089,891	$ 3,806,241
Deferred Ouflows of Resources	$ 52,661	$ 57,324	$ (4,663)
Due to Developer	$ 2,432,080	$ 3,301,687	$ 869,607
Bonds Payable	17,073,805	12,833,062	(4,240,743)
Other Liabilities	449,393	522,163	72,770
Total Liabilities	$ 19,955,278	$ 16,656,912	$ (3,298,366)
Net Position:			
Net Investment in Capital Assets	$ (3,756,543)	$ (3,404,073)	$ (352,470)
Restricted	1,946,649	1,735,983	210,666
Unrestricted	2,803,409	2,158,393	645,016
Total Net Position	$ 993,515	$ 490,303	$ 503,212

The following table provides a summary of the District's operations for the years ended February 28, 2018, and February 28, 2017. The District's net position increased by $503,212 during the current fiscal year.

	Summary of Changes in the Statement of Activities		
	2018	2017	Change Positive (Negative)
Revenues:			
Property Taxes	$ 1,919,454	$ 1,739,881	$ 179,573
Charges for Services	1,001,934	944,530	57,404
Other Revenues	45,489	26,094	19,395
Total Revenues	$ 2,966,877	$ 2,710,505	$ 256,372
Expenses for Services	2,463,665	2,514,211	50,546
Change in Net Position	$ 503,212	$ 196,294	$ 306,918
Net Position, Beginning of Year	490,303	294,009	196,294
Net Position, End of Year	$ 993,515	$ 490,303	$ 503,212

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of February 28, 2018, were $7,679,552, an increase of $3,147,991 from the prior year.

The General Fund fund balance increased by $661,037, primarily due to property tax revenues and service revenues exceeding operating expenditures.

The Debt Service Fund fund balance increased by $276,865, primarily due to the structure of the District's debt service requirements.

The Capital Projects Fund fund balance increased by $2,210,089, primarily due to unspent proceeds from the Series 2017 bonds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were $112,937 more than budgeted primarily due to higher tax and service revenues than anticipated. Actual expenditures were $111,395 less than budgeted primarily due to lower than anticipated purchased water, purchased wastewater, repairs and maintenance and capital costs, which were offset by higher than anticipated professional fees and contracted services.

CAPITAL ASSETS

The District's capital assets as of February 28, 2018, amount to $12,930,638 and include land, as well as the water, wastewater and drainage systems. Significant capital asset activity during the current fiscal year includes reimbursement to the developer for construction of water, wastewater and drainage facilities for Kings Mill Sections 2, 3, 7, 8, 9 and 12, lift station upgrades and water plant expansion.

Capital Assets At Year-End, Net of Accumulated Depreciation

	2018	2017	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 3,273,284	$ 3,273,284	$
Construction in Progress	4,070		4,070
Capital Assets, Net of Accumulated Depreciation:			
Water System	2,684,288	2,566,946	117,342
Wastewater System	3,277,715	2,896,795	380,920
Drainage System	3,691,281	3,386,284	304,997
Total Net Capital Assets	$ 12,930,638	$ 12,123,309	$ 807,329

Additional information on the District's capital assets can be found in Note 6 of this report.

LONG-TERM DEBT ACTIVITY

As of February 28, 2018, the District had total bond debt payable of $17,170,000. The changes in the debt position of the District during the current fiscal year are summarized as follows:

Bond Debt Payable, March 1, 2017	$ 12,935,000
Add: Bond Sale	4,645,000
Less: Bond Principal Paid	410,000
Bond Debt Payable, February 28, 2018	$ 17,170,000

The District's Series 2010, 2011 and 2013 bonds are not rated or insured. The Series 2015 Refunding, Series 2015A, and Series 2017 bonds carry an underlying rating of "Baa1" from Moody's and an insured rating of "A2" from Moody's by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2016 bonds carry an underlying rating of "Baa1" from Moody's and an insured rating of "AA" from Standard and Poor's by virtue of bond insurance issued by Municipal Assurance Corp. Credit enhanced ratings provided through bond insurance policies are subject to change based on the rating of the bond insurance company. The above ratings are as of February 28, 2018, and reflect all rating changes of the bond insurer through the year then ended.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Montgomery County Municipal Utility District No. 98, c/o Schwartz Page & Harding, LLP, 1300 Post Oak Blvd., Suite 1400, Houston, Texas 77056.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
FEBRUARY 28, 2018

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 96,377	$ 200,511
Investments	2,737,365	2,013,215
Receivables:		
Property Taxes	18,846	26,230
Penalty and Interest on Delinquent Taxes		
Service Accounts	67,899	
Accrued Interest	7,996	5,418
Due from Other Funds	70,344	
Prepaid Costs	10,364	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 3,009,191	$ 2,245,374
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	$ -0-	$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 3,009,191	$ 2,245,374

The accompanying notes to the financial statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 761,055	$ 1,057,943	$	$ 1,057,943
2,016,819	6,767,399		6,767,399
	45,076		45,076
		3,399	3,399
	67,899		67,899
	13,414		13,414
	70,344	(70,344)	
	10,364		10,364
		3,273,284	3,273,284
		4,070	4,070
		9,653,284	9,653,284
$ 2,777,874	$ 8,032,439	$ 12,863,693	$ 20,896,132
$ -0-	$ -0-	$ 52,661	$ 52,661
$ 2,777,874	$ 8,032,439	$ 12,916,354	$ 20,948,793

The accompanying notes to the financial statements are an integral part of this report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
FEBRUARY 28, 2018

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	$ 112,780	$
Accrued Interest Payable		
Due to Developers	5,911	
Due to Other Funds		66,274
Due to Taxpayers		12,664
Security Deposits	87,091	
Accrued Interest at Time of Sale		5,349
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	$ 205,782	$ 84,287
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 18,846	$ 26,230
FUND BALANCES		
Nonspendable:		
Prepaid Costs	$ 10,364	$
Restricted for Authorized Construction		
Restricted for Debt Service		2,134,857
Unassigned	2,774,199	
TOTAL FUND BALANCES	$ 2,784,563	$ 2,134,857
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 3,009,191	$ 2,245,374
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

The accompanying notes to the financial statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 13,672	$ 126,452	$	$ 126,452
		223,186	223,186
	5,911	2,426,169	2,432,080
4,070	70,344	(70,344)	
	12,664		12,664
	87,091		87,091
	5,349	(5,349)	
		420,000	420,000
		16,653,805	16,653,805
$ 17,742	$ 307,811	$ 19,647,467	$ 19,955,278
$ -0-	$ 45,076	$ (45,076)	$ -0-
$	$ 10,364	$ (10,364)	$
2,760,132	2,760,132	(2,760,132)	
	2,134,857	(2,134,857)	
	2,774,199	(2,774,199)	
$ 2,760,132	$ 7,679,552	$ (7,679,552)	$ - 0 -
$ 2,777,874	$ 8,032,439		
		$ (3,756,543)	$ (3,756,543)
		1,946,649	1,946,649
		2,803,409	2,803,409
		$ 993,515	$ 993,515

The accompanying notes to the financial statements are an integral part of this report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
FEBRUARY 28, 2018

Total Fund Balances - Governmental Funds		$ 7,679,552
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Land and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		12,930,638
Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter. The District also amortizes prepaid bond insurance over the term of the bonds.		52,661
Deferred inflows of resources related to property tax revenues and uncollected penalty and interest receivable on delinquent taxes for the 2017 and prior tax levies became part of recognized revenue in the governmental activities of the District.		48,475
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:		
Due to Developer	$ (2,426,169)	
Accrued Interest Payable	(217,837)	
Bonds Payable	(17,073,805)	(19,717,811)
Total Net Position - Governmental Activities		$ 993,515

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MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED FEBRUARY 28, 2018

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	$ 821,475	$ 1,134,928
Water Service	325,810	
Wastewater Service	560,818	
Penalty and Interest	34,407	14,603
Tap Connection and Inspection Fees	68,913	
Investment Revenues	17,793	11,165
Miscellaneous Revenues	3,451	2,800
TOTAL REVENUES	$ 1,832,667	$ 1,163,496
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	$ 108,798	$ 2,402
Contracted Services	208,583	36,216
Purchased Water Service	256,207	
Purchased Wastewater Service	402,651	
Utilities	9,363	
Repairs and Maintenance	80,983	
Depreciation		
Other	82,228	8,884
Capital Outlay	22,817	
Debt Service:		
Bond Principal		410,000
Bond Interest		429,129
Bond Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	$ 1,171,630	$ 886,631
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	$ 661,037	$ 276,865
OTHER FINANCING SOURCES (USES)		
Long-Term Debt Issued	$ -0-	$ -0-
NET CHANGE IN FUND BALANCES	$ 661,037	$ 276,865
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - MARCH 1, 2017	2,123,526	1,857,992
FUND BALANCES/NET POSITION - FEBRUARY 28, 2018	$ 2,784,563	$ 2,134,857

The accompanying notes to the financial statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Activities
$	$ 1,956,403	$ (36,949)	$ 1,919,454
	325,810		325,810
	560,818		560,818
	49,010	(2,617)	46,393
	68,913		68,913
10,280	39,238		39,238
	6,251		6,251
$ 10,280	$ 3,006,443	$ (39,566)	$ 2,966,877
$ 5,504	$ 116,704	$	$ 116,704
700	245,499		245,499
	256,207		256,207
	402,651		402,651
	9,363		9,363
	80,983		80,983
		371,595	371,595
76	91,188		91,188
2,031,625	2,054,442	(2,054,442)	
	410,000	(410,000)	
	429,129	53,060	482,189
407,286	407,286		407,286
$ 2,445,191	$ 4,503,452	$ (2,039,787)	$ 2,463,665
$ (2,434,911)	$ (1,497,009)	$ 2,000,221	$ 503,212
$ 4,645,000	$ 4,645,000	$ (4,645,000)	$ -0-
$ 2,210,089	$ 3,147,991	$ (3,147,991)	$
		503,212	503,212
550,043	4,531,561	(4,041,258)	490,303
$ 2,760,132	$ 7,679,552	$ (6,686,037)	$ 993,515

The accompanying notes to the financial
statements are an integral part of this report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2018

Net Change in Fund Balances - Governmental Funds	$ 3,147,991
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	(36,949)
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	(2,617)
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(371,595)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	2,054,442
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	410,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(53,060)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(4,645,000)
Change in Net Position - Governmental Activities	$ 503,212

The accompanying notes to the financial statements are an integral part of this report.

NOTE 1. CREATION OF DISTRICT

Montgomery County Municipal Utility District No. 98 (the "District") was created by an order of the Texas Commission on Environmental Quality (the "Commission"), dated July 30, 2004, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities.

The District is governed by a Board of Directors consisting of five individuals who are residents or owners of property within the District and elected by voters within the District. The Board of Directors sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District's financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting ("GASB Codification").

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide statements. The fund statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

General Fund – To account for resources not required to be accounted for in another fund, customer service revenues, costs and general expenditures.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund – To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable with 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than $5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Water System	10-45
Wastewater System	10-45
Drainage System	10-45

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal year.

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that the directors are considered to be employees for federal payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3. LONG-TERM DEBT

	Series 2010	Series 2011	Series 2013
Amount Outstanding – February 28, 2018	$ 885,000	$ 1,440,000	$ 1,240,00
Interest Rates	4.00%-5.00%	3.25%-5.00%	2.50%-4.75%
Maturity Dates - Serially Beginning/Ending	April 1, 2018/2031	April 1, 2018/2033	April 1, 2018/2034
Interest Payment Dates	April 1, October 1	April 1, October 1	April 1, October 1
Callable Dates	April 1, 2018*	April 1, 2019*	April 1, 2021*

	Refunding Series 2015	Series 2015A	Series 2016	Series 2017
Amount Outstanding – February 28, 2018	$ 2,075,000	$ 2,685,000	$ 4,200,000	$ 4,645,000
Interest Rates	2.00%-3.25%	2.50%-4.125%	2.00%-3.125%	2.125%-4.00%
Maturity Dates - Serially Beginning/Ending	April 1, 2018/2029	April 1, 2018/2039	April 1, 2018/2040	April 1, 2019/2042
Interest Payment Dates	April 1, October 1	April 1, October 1	April 1, October 1	April 1, October 1
Callable Dates	April 1, 2023*	April 1, 2023*	April 1, 2024*	April 1, 2024*

* Or any date thereafter, callable at par plus accrued interest to the date fixed for redemption. The Series 2010 term bonds maturing on April 1, 2031, are subject to mandatory sinking fund redemption beginning on April 1, 2026. The Series 2011 term bonds maturing on April 1, 2033, are subject to mandatory sinking fund redemption beginning on April 1, 2032. The Series 2013 term bonds maturing on April 1, 2034, are subject to mandatory sinking fund redemption beginning on April 1, 2031. The Series 2015 Refunding term bonds maturing on April 1, 2025 and April 1, 2027, are subject to mandatory sinking fund redemption beginning on April 1, 2024 and April 1, 2026, respectively. The Series 2015A term bonds maturing on April 1, 2023, April 1, 2027, April 1, 2030, April 1, 2032, April 1, 2034, and April 1, 2039, are subject to mandatory sinking fund redemption beginning on April 1, 2021, April 1, 2024, April 1, 2028, April 1, 2031, April 1, 2033 and April 1, 2036, respectively. The Series 2016 term bonds maturing April 1, 2027, April 1, 2030, April 1, 2034, and April 1, 2040, are subject to mandatory sinking fund redemption beginning on April 1, 2025, April 1, 2028, April 1, 2031, and April 1, 2039, respectively. The Series 2017 term bonds maturing on April 1, 2031 and April 1, 2036, are subject to mandatory sinking fund redemption beginning on April 1, 2030 and April 1, 2035, respectively.

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding long-term liabilities for the year ended February 28, 2018:

	March 1, 2017	Additions	Retirements	February 28, 2018
Bonds Payable	$ 12,935,000	$ 4,645,000	$ 410,000	$ 17,170,000
Unamortized Discounts	(107,264)		(6,176)	(101,088)
Unamortized Premiums	5,326		433	4,893
Bonds Payable, net	$ 12,833,062	$ 4,645,000	$ 404,257	$ 17,073,805

Amount Due Within One Year	$ 420,000
Amount Due After One Year	16,653,805
Bonds Payable, net	$ 17,073,805

As of February 28, 2018, the District had authorized but unissued bonds in the amount of $11,255,000 in tax bonds and $29,870,000 in refunding bonds.

As of February 28, 2018, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2019	$ 420,000	$ 549,903	$ 969,903
2020	630,000	564,624	1,194,624
2021	600,000	544,727	1,144,727
2022	605,000	525,117	1,130,117
2023	630,000	504,697	1,134,697
2024-2028	3,385,000	2,220,683	5,605,683
2029-2033	3,715,000	1,614,519	5,329,519
2034-2038	4,085,000	875,827	4,960,827
2039-2043	3,100,000	199,065	3,299,065
	$ 17,170,000	$ 7,599,162	$ 24,769,162

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

NOTE 3. LONG-TERM DEBT (Continued)

During the year ended February 28, 2018, the District levied an ad valorem debt service tax rate of $0.65 per $100 of assessed valuation, which resulted in a tax levy of $1,116,330 on the adjusted taxable valuation of $171,743,389 for the 2017 tax year. The bond resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax.

The District's tax calendar is as follows:

Levy Date	- As soon after the release of the certified tax roll as practicable.
Lien Date	- January 1.
Due Date	- Not later than January 31.
Delinquent Date	- February 1, at which time the taxpayer is liable for penalty and interest.

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

A. The bond orders state that any profit realized from or interest accruing on such investments shall belong to the fund from which the monies for such investments were taken; provided however, that at the discretion of the Board of Directors, the profits realized from and interest accruing on investments made from any fund may be transferred to the Debt Service Fund.

B. The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the Bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of the issue.

C. The bond orders state that the District is required to provide continuing disclosure of certain general financial information and operating data, as well as notice of certain material events as defined by federal securities laws, with respect to the District to the Nationally Recognized Municipal Securities Information Repositories and the State Information Depository. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was $3,877,943 and the bank balance was $3,891,742. The District was not exposed to custodial credit risk at year end. The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at February 28, 2018, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	$ 96,377	$ 1,900,000	$ 1,996,377
DEBT SERVICE FUND	200,511	920,000	1,120,511
CAPITAL PROJECTS FUND	761,055		761,055
TOTAL DEPOSITS	$ 1,057,943	$ 2,820,000	$ 3,877,943

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS"), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool's administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. Wells Fargo Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas CLASS.

As of February 28, 2018, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
GENERAL FUND		
Texas CLASS	$ 837,365	$ 837,365
Certificates of Deposit	1,900,000	1,900,000
DEBT SERVICE FUND		
Texas CLASS	1,093,215	1,093,215
Certificates of Deposit	920,000	920,000
CAPITAL PROJECTS FUND		
Texas CLASS	2,016,819	2,016,819
TOTAL INVESTMENTS	$ 6,767,399	$ 6,767,399

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. As of February 28, 2018 the District investments in Texas CLASS were rated AAAm by Standard and Poor's. The District also manages credit risk by investing in certificates of deposit covered by FDIC insurance.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in Texas CLASS to have a maturity of less then one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District also manages interest rate risk by investing in certificates of deposit with maturities of one year or less.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended February 28, 2018:

	March 1, 2017	Increases	Decreases	February 28, 2018
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 3,273,284		$	$ 3,273,284
Construction in Progress		1,178,924	1,174,854	4,070
Total Capital Assets Not Being Depreciated	$ 3,273,284	$ 1,178,924	$ 1,174,854	$ 3,277,354
Capital Assets Subject to Depreciation				
Water System	$ 3,260,400	$ 230,598	$	$ 3,490,998
Wastewater System	3,558,199	506,473		4,064,672
Drainage System	4,007,717	437,783		4,445,500
Total Capital Assets Subject to Depreciation	$ 10,826,316	$ 1,174,854	$ - 0 -	$ 12,001,170
Accumulated Depreciation				
Water System	$ 693,454	$ 113,256	$	$ 806,710
Wastewater System	661,404	125,553		786,957
Drainage System	621,433	132,786		754,219
Total Accumulated Depreciation	$ 1,976,291	$ 371,595	$ - 0 -	$ 2,347,886
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 8,850,025	$ 803,259	$ - 0 -	$ 9,653,284
Total Capital Assets, Net of Accumulated Depreciation	$ 12,123,309	$ 1,982,183	$ 1,174,854	$ 12,930,638

NOTE 7. MAINTENANCE TAX

On November 2, 2004, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed $1.35 per $100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater systems. During the current fiscal year, the District levied an ad valorem maintenance tax rate of $0.47 per $100 of assessed valuation, which resulted in a tax levy of $807,193 on the adjusted taxable valuation of $171,743,389 for the 2017 tax year.

NOTE 8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, error and omission and natural disasters for which the District carries commercial insurance. There have been no significant changes in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 9. WATER SUPPLY AND WASTE DISPOSAL CONTRACTS

In April 2004, one of the District's developers entered into water supply and waste disposal contracts with the City of Houston. These contracts were assumed by the District in January 2005 and have terms of 40 years. During the current year, the District incurred costs of $256,207 and $402,651 under the terms of the water supply and waste disposal contracts, respectively.

NOTE 10. UNREIMBURSED DEVELOPER COSTS

The District has executed developer financing agreements with a Developer within the District. The agreements call for the Developer to fund costs associated with water, sewer, and drainage facilities until such time as the District can sell bonds. As reflected in the Statement of Net Position, $2,426,169 has been recorded as a liability for facilities financed by the Developer. Reimbursement to the Developer is anticipated to come from future bond sales.

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES

As of February 28, 2018, the Debt Service Fund owed the General Fund $66,274 for maintenance tax collections and the Capital Projects Fund owed the General Fund $4,070 for construction costs.

NOTE 12. STRATEGIC PARTNERSHIP AGREEMENT

The District entered into a Strategic Partnership Agreement dated effective November 22, 2013, with the City of Houston, Texas. The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex a tract of land defined as the "Tract" for the limited purposes of applying the City's Planning and Zoning Ordinances (under certain circumstances) and to impose a sales tax within the Tract within the boundaries of the District. The District will continue to develop, to own, and to operate and maintain a water, wastewater, and drainage system in the District.

All taxable property within the District shall not be liable for any present or future debts of the City, and current and future taxes levied by the City shall not be levied on taxable property within the District. The District's assets, liabilities, indebtedness, and obligations will remain the responsibility of the District during the period preceding full-purpose annexation.

The qualified voters of the Tract may vote in certain City elections pursuant to Local Government Code. The City is responsible for notifying the voters within the Tract.

The City shall impose a Sales and Use Tax within the boundaries of the Tract upon the limited-purpose annexation of the Tract. The Sales and Use Tax shall be imposed on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City agreed to pay to the District an amount equal to one-half of all Sales and Use Tax revenues generated within the boundaries of the Tract. The City agreed to deliver to the District its share of the sales tax receipts within 30 days of the City receiving the funds from the State Controller's office. During the current fiscal year, the District did not receive any sales tax revenue.

NOTE 13. BOND SALE AND USE OF SURPLUS FUNDS

On December 14, 2017, the District issued $4,645,000 of Series 2017 Unlimited Tax Bonds. Proceeds from the bonds and surplus Capital Projects Fund monies in the amount of $450,000 were used to reimburse developers for construction and engineering costs for water, wastewater, drainage, and storm water compliance to serve Kings Mill, Sections 3, 7, 8, 9, 10, 11, and 12; lift station upgrades; water supply plant expansion; a generator for the water plant; and to pay issuance costs of the bonds.

NOTE 14. ESCROW REQUIREMENTS AND DIRECTIVE NOT TO EXPEND

The Commission directed the District to place $760,722 of the Series 2017 bond proceeds in escrow as follows: $280,240 for Kings Mill, Section 10 water, wastewater and drainage and $480,482 for Kings Mill Section 11 water, wastewater and drainage. As of February 28, 2018, these funds remained in escrow. The District was also directed not to expend a total of $594,000 for a water plant generator pending receipt of plans and specifications approved by all entities with jurisdiction.

NOTE 15. USE OF SURPLUS FUNDS

In accordance with Rule 30 T.A.C. 293.83(c)(3) of the Commission, the District approved the use of surplus Capital Projects Fund monies in the amount of $15,542 to pay the cost of installation of a cedar fence and swing gate at the water repressurization plant. During the year ended February 28, 2018, the District completed the project.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98

REQUIRED SUPPLEMENTARY INFORMATION

FEBRUARY 28, 2018

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED FEBRUARY 28, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	$ 737,300	$ 821,475	$ 84,175
Water Service	319,800	325,810	6,010
Wastewater Service	558,800	560,818	2,018
Penalty and Interest	33,000	34,407	1,407
Tap Connection and Inspection Fees	55,250	68,913	13,663
Investment Revenues	9,830	17,793	7,963
Miscellaneous Revenues	5,750	3,451	(2,299)
TOTAL REVENUES	$ 1,719,730	$ 1,832,667	$ 112,937
EXPENDITURES			
Services Operations:			
Professional Fees	$ 105,000	$ 108,798	$ (3,798)
Contracted Services	181,900	208,583	(26,683)
Purchased Water Service	260,000	256,207	3,793
Purchased Wastewater Service	425,000	402,651	22,349
Utilities	9,450	9,363	87
Repairs and Maintenance	156,500	80,983	75,517
Other	95,175	82,228	12,947
Capital Outlay	50,000	22,817	27,183
TOTAL EXPENDITURES	$ 1,283,025	$ 1,171,630	$ 111,395
NET CHANGE IN FUND BALANCE	$ 436,705	$ 661,037	$ 224,332
FUND BALANCE - MARCH 1, 2017	2,123,526	2,123,526	
FUND BALANCE - FEBRUARY 28, 2018	$ 2,560,231	$ 2,784,563	$ 224,332

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

FEBRUARY 28, 2018

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
SERVICES AND RATES
FOR THE YEAR ENDED FEBRUARY 28, 2018

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

X	Retail Water		Wholesale Water	X	Drainage
X	Retail Wastewater		Wholesale Wastewater		Irrigation
	Parks/Recreation		Fire Protection		Security
X	Solid Waste/Garbage		Flood Control		Roads

_____ Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)

X Other : The District purchases water and wastewater services from the City of Houston

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

Based on the rate order effective June 1, 2017.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	$ 29.55	8,000	N	$ 3.23	8,001 and Over
WASTEWATER:	$ 54.89	8,000	N	$5.68	8,001 and Over

District employs winter averaging for wastewater usage? _____ Yes X No

Total monthly charges per 10,000 gallons usage: Water: $36.01 Wastewater: $66.25 Total: $102.26

See accompanying independent auditor's report.

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"	750	746	x 1.0	746
1"	4	4	x 2.5	10
1½"	2	2	x 5.0	10
2"	6	6	x 8.0	48
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	762	758		814
Total Wastewater Connections	753	749	x 1.0	749

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Gallons billed to customers:	71,543,000	Water Accountability Ratio: 97.0% (Gallons billed/Gallons purchased)
Gallons purchased:	73,891,000	From: City of Houston, Texas
Leaks and Flushing:	95,000	

See accompanying independent auditor's report.

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes ___ No _X_

Does the District have Operation and Maintenance standby fees? Yes ___ No _X_

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes _X_ No ___

County in which District is located:

Montgomery County, Texas

Is the District located within a city?

Entirely ___ Partly ___ Not at all _X_

Is the District located within a city's extraterritorial jurisdiction (ETJ)?

Entirely _X_ Partly ___ Not at all ___

ETJ in which District is partly located:

City of Houston, Texas.

Are Board Members appointed by an office outside the District?

Yes ___ No _X_

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED FEBRUARY 28, 2018

PROFESSIONAL FEES:		
Auditing	$	12,500
Engineering		29,118
Legal		67,180
TOTAL PROFESSIONAL FEES	$	108,798
PURCHASED SERVICES FOR RESALE:		
Purchased Water Service	$	256,207
Purchased Wastewater Service		402,651
TOTAL PURCHASED SERVICES FOR RESALE	$	658,858
CONTRACTED SERVICES:		
Bookkeeping	$	22,319
Operations and Billing		41,973
TOTAL CONTRACTED SERVICES	$	64,292
UTILITIES:		
Electricity	$	7,929
Telephone		1,434
TOTAL UTILITIES	$	9,363
REPAIRS AND MAINTENANCE	$	80,983
ADMINISTRATIVE EXPENDITURES:		
Director Fees	$	10,500
Insurance		9,468
Office Supplies and Postage		19,256
Payroll Taxes		803
Travel and Meetings		7,183
Other		11,410
TOTAL ADMINISTRATIVE EXPENDITURES	$	58,620

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED FEBRUARY 28, 2018

CAPITAL OUTLAY	$	22,817
TAP CONNECTIONS	$	11,900
SOLID WASTE DISPOSAL	$	144,291
OTHER EXPENDITURES:		
Laboratory Fees	$	1,264
Permit Fees		1,544
Reconnection Fees		865
Inspection Fees		3,653
Regulatory Assessment		4,382
TOTAL OTHER EXPENDITURES	$	11,708
TOTAL EXPENDITURES	$	1,171,630

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
INVESTMENTS
FEBRUARY 28, 2018

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
GENERAL FUND					
Texas CLASS	XXXX1001	Varies	Daily	$ 837,365	$
Certificate of Deposit	XXXX2979	1.00%	10/05/18	150,000	600
Certificate of Deposit	XXXX0460	0.70%	03/16/18	150,000	1,004
Certificate of Deposit	XXXX1600	1.10%	12/09/18	150,000	366
Certificate of Deposit	XXXX0234	1.30%	02/15/19	200,000	85
Certificate of Deposit	XXXX0894	0.75%	06/29/18	150,000	752
Certificate of Deposit	XXXX3738	0.90%	04/28/18	150,000	1,132
Certificate of Deposit	XXXX5457	0.65%	05/02/18	150,000	807
Certificate of Deposit	XXXX9384	1.20%	01/20/19	200,000	256
Certificate of Deposit	XXXX8994	1.10%	11/13/18	150,000	484
Certificate of Deposit	XXXX2908	1.00%	07/06/18	150,000	974
Certificate of Deposit	XXXX7521	1.00%	09/13/18	150,000	690
Certificate of Deposit	XXXX8079	1.05%	08/16/18	150,000	846
TOTAL GENERAL FUND				$ 2,737,365	$ 7,996
DEBT SERVICE FUND					
Texas CLASS	XXXX1003	Varies	Daily	$ 1,093,215	$
Certificate of Deposit	XXXX4019	1.10%	02/08/19	200,000	115
Certificate of Deposit	XXXX7631	0.90%	03/15/18	240,000	2,065
Certificate of Deposit	XXXX6064	0.50%	03/19/18	240,000	1,134
Certificate of Deposit	XXXX2067	1.00%	04/14/18	240,000	2,104
TOTAL DEBT SERVICE FUND				$ 2,013,215	$ 5,418
CAPITAL PROJECTS FUND					
Texas CLASS	XXXX1004	Varies	Daily	$ 83,021	$
Texas CLASS	XXXX1002	Varies	Daily	1,933,798	
TOTAL CAPITAL PROJECTS FUND				$ 2,016,819	$ - 0 -
TOTAL - ALL FUNDS				$ 6,767,399	$ 13,414

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED FEBRUARY 28, 2018

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE - MARCH 1, 2017	$ 34,867		$ 47,158	
Adjustments to Beginning Balance	(1,739)	$ 33,128	(2,330)	$ 44,828
Original 2017 Tax Levy	$ 804,437		$ 1,112,518	
Adjustment to 2017 Tax Levy	2,756	807,193	3,812	1,116,330
TOTAL TO BE ACCOUNTED FOR		$ 840,321		$ 1,161,158
TAX COLLECTIONS:				
Prior Years	$ 29,930		$ 40,238	
Current Year	791,545	821,475	1,094,690	1,134,928
TAXES RECEIVABLE - FEBRUARY 28, 2018		$ 18,846		$ 26,230
TAXES RECEIVABLE BY YEAR:				
2017		$ 15,648		$ 21,640
2016		1,184		1,587
2015		1,008		1,573
2014		1,006		1,430
TOTAL		$ 18,846		$ 26,230

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED FEBRUARY 28, 2018

	2017	2016	2015	2014
PROPERTY VALUATIONS:				
Land	$ 20,585,150	$ 20,423,360	$ 21,862,530	$ 17,463,470
Improvements	152,982,160	135,025,150	105,144,760	75,332,160
Personal Property	804,975	870,975	765,797	728,408
Exemptions	(2,628,896)	(2,738,202)	(4,277,656)	(1,717,333)
TOTAL PROPERTY VALUATIONS	$ 171,743,389	$ 153,581,283	$ 123,495,431	$ 91,806,705
TAX RATES PER $100 VALUATION:				
Debt Service	$ 0.65	$ 0.650	$ 0.710	$ 0.71
Maintenance	0.47	0.485	0.455	0.50
TOTAL TAX RATES PER $100 VALUATION	$ 1.12	$ 1.135	$ 1.165	$ 1.21
ADJUSTED TAX LEVY*	$ 1,923,523	$ 1,743,144	$ 1,438,719	$ 1,109,605
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	98.06 %	99.84 %	99.82 %	99.78 %

* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

Maintenance Tax – Maximum tax rate in an amount of $1.35 per $100 assessed valuation approved by voters on November 2, 2004.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2018

	S E R I E S - 2 0 1 0		
Due During Fiscal Years Ending February 28	Principal Due April 1	Interest Due April 1/ October 1	Total
2019	$ 40,000	$ 42,050	$ 82,050
2020	40,000	40,400	80,400
2021	40,000	38,680	78,680
2022	40,000	36,910	76,910
2023	40,000	35,070	75,070
2024	40,000	33,170	73,170
2025	40,000	31,230	71,230
2026	40,000	29,250	69,250
2027	40,000	27,250	67,250
2028	40,000	25,250	65,250
2029	40,000	23,250	63,250
2030	40,000	21,250	61,250
2031	195,000	15,375	210,375
2032	210,000	5,250	215,250
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
	$ 885,000	$ 404,385	$ 1,289,385

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2018

	SERIES - 2011		
Due During Fiscal Years Ending February 28	Principal Due April 1	Interest Due April 1/ October 1	Total
2019	$ 35,000	$ 66,805	$ 101,805
2020	45,000	65,393	110,393
2021	45,000	63,671	108,671
2022	45,000	61,894	106,894
2023	50,000	59,969	109,969
2024	50,000	57,894	107,894
2025	50,000	55,769	105,769
2026	50,000	53,594	103,594
2027	55,000	51,256	106,256
2028	65,000	48,524	113,524
2029	65,000	45,501	110,501
2030	85,000	41,934	126,934
2031	85,000	37,822	122,822
2032	85,000	33,625	118,625
2033	305,000	23,875	328,875
2034	325,000	8,124	333,124
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
	$ 1,440,000	$ 775,650	$ 2,215,650

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2018

	SERIES - 2013		
Due During Fiscal Years Ending February 28	Principal Due April 1	Interest Due April 1/ October 1	Total
2019	$ 40,000	$ 51,012	$ 91,012
2020	45,000	49,950	94,950
2021	45,000	48,769	93,769
2022	45,000	47,475	92,475
2023	50,000	45,988	95,988
2024	55,000	44,214	99,214
2025	55,000	42,219	97,219
2026	60,000	39,988	99,988
2027	60,000	37,588	97,588
2028	65,000	35,006	100,006
2029	70,000	32,093	102,093
2030	50,000	29,437	79,437
2031	75,000	26,625	101,625
2032	75,000	23,156	98,156
2033	75,000	19,594	94,594
2034	75,000	16,031	91,031
2035	300,000	7,125	307,125
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
	$ 1,240,000	$ 596,270	$ 1,836,270

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2018

	SERIES-2015 REFUNDING		
Due During Fiscal Years Ending February 28	Principal Due April 1	Interest Due April 1/ October 1	Total
2019	$ 140,000	$ 60,488	$ 200,488
2020	140,000	56,987	196,987
2021	150,000	52,638	202,638
2022	150,000	48,137	198,137
2023	160,000	43,488	203,488
2024	170,000	38,537	208,537
2025	175,000	33,363	208,363
2026	185,000	27,962	212,962
2027	190,000	22,338	212,338
2028	200,000	16,487	216,487
2029	205,000	10,156	215,156
2030	210,000	3,413	213,413
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
	$ 2,075,000	$ 413,994	$ 2,488,994

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2018

	SERIES - 2015A		
Due During Fiscal Years Ending February 28	Principal Due April 1	Interest Due April 1/ October 1	Total
2019	$ 65,000	$ 96,219	$ 161,219
2020	65,000	94,431	159,431
2021	70,000	92,406	162,406
2022	75,000	90,138	165,138
2023	80,000	87,619	167,619
2024	80,000	85,018	165,018
2025	85,000	82,284	167,284
2026	90,000	79,331	169,331
2027	95,000	76,209	171,209
2028	100,000	72,919	172,919
2029	105,000	69,459	174,459
2030	115,000	65,747	180,747
2031	120,000	61,781	181,781
2032	125,000	57,569	182,569
2033	130,000	53,106	183,106
2034	140,000	48,294	188,294
2035	145,000	43,128	188,128
2036	200,000	36,750	236,750
2037	200,000	28,875	228,875
2038	200,000	20,625	220,625
2039	200,000	12,375	212,375
2040	200,000	4,125	204,125
2041			
2042			
2043			
	$ 2,685,000	$ 1,358,408	$ 4,043,408

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2018

	S E R I E S - 2 0 1 6		
Due During Fiscal Years Ending February 28	Principal Due April 1	Interest Due April 1/ October 1	Total
2019	$ 100,000	$ 115,250	$ 215,250
2020	100,000	113,250	213,250
2021	100,000	111,250	211,250
2022	100,000	109,250	209,250
2023	100,000	107,250	207,250
2024	100,000	105,250	205,250
2025	100,000	103,250	203,250
2026	100,000	101,125	201,125
2027	100,000	98,875	198,875
2028	100,000	96,625	196,625
2029	100,000	94,250	194,250
2030	100,000	91,750	191,750
2031	100,000	89,250	189,250
2032	100,000	86,500	186,500
2033	100,000	83,500	183,500
2034	100,000	80,500	180,500
2035	200,000	76,000	276,000
2036	400,000	67,000	467,000
2037	400,000	55,000	455,000
2038	400,000	43,000	443,000
2039	400,000	31,000	431,000
2040	400,000	18,750	418,750
2041	400,000	6,250	406,250
2042			
2043			
	$ 4,200,000	$ 1,884,125	$ 6,084,125

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2018

	S E R I E S - 2 0 1 7		
Due During Fiscal Years Ending February 28	Principal Due April 1	Interest Due April 1/ October 1	Total
2019	$	$ 118,079	$ 118,079
2020	195,000	144,213	339,213
2021	150,000	137,313	287,313
2022	150,000	131,313	281,313
2023	150,000	125,313	275,313
2024	150,000	120,719	270,719
2025	150,000	117,438	267,438
2026	150,000	113,969	263,969
2027	150,000	110,313	260,313
2028	150,000	106,469	256,469
2029	150,000	102,438	252,438
2030	150,000	98,313	248,313
2031	150,000	94,000	244,000
2032	150,000	89,500	239,500
2033	150,000	85,000	235,000
2034	150,000	80,406	230,406
2035	150,000	75,719	225,719
2036	200,000	70,125	270,125
2037	200,000	63,625	263,625
2038	300,000	55,500	355,500
2039	300,000	45,563	345,563
2040	300,000	35,438	335,438
2041	300,000	25,313	325,313
2042	300,000	15,188	315,188
2043	300,000	5,063	305,063
	$ 4,645,000	$ 2,166,330	$ 6,811,330

See accompanying independent auditor’s report.

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MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2018

	ANNUAL REQUIREMENTS FOR ALL SERIES		
Due During Fiscal Years Ending February 28	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	$ 420,000	$ 549,903	$ 969,903
2020	630,000	564,624	1,194,624
2021	600,000	544,727	1,144,727
2022	605,000	525,117	1,130,117
2023	630,000	504,697	1,134,697
2024	645,000	484,802	1,129,802
2025	655,000	465,553	1,120,553
2026	675,000	445,219	1,120,219
2027	690,000	423,829	1,113,829
2028	720,000	401,280	1,121,280
2029	735,000	377,147	1,112,147
2030	750,000	351,844	1,101,844
2031	725,000	324,853	1,049,853
2032	745,000	295,600	1,040,600
2033	760,000	265,075	1,025,075
2034	790,000	233,355	1,023,355
2035	795,000	201,972	996,972
2036	800,000	173,875	973,875
2037	800,000	147,500	947,500
2038	900,000	119,125	1,019,125
2039	900,000	88,938	988,938
2040	900,000	58,313	958,313
2041	700,000	31,563	731,563
2042	300,000	15,188	315,188
2043	300,000	5,063	305,063
	$ 17,170,000	$ 7,599,162	$ 24,769,162

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED FEBRUARY 28, 2018

Description	Original Bonds Issued	Bonds Outstanding March 1, 2017
Montgomery County Municipal Utility District No. 98 Unlimited Tax Bonds - Series 2010	1,125,000	925,000
Montgomery County Municipal Utility District No. 98 Unlimited Tax Bonds - Series 2011	1,600,000	1,475,000
Montgomery County Municipal Utility District No. 98 Unlimited Tax Bonds - Series 2013	1,385,000	1,280,000
Montgomery County Municipal Utility District No. 98 Unlimited Tax Refunding Bonds - Series 2015	2,350,000	2,210,000
Montgomery County Municipal Utility District No. 98 Unlimited Tax Bonds - Series 2015A	2,800,000	2,745,000
Montgomery County Municipal Utility District No. 98 Unlimited Tax Bonds - Series 2016	4,300,000	4,300,000
Montgomery County Municipal Utility District No. 98 Unlimited Tax Bonds - Series 2017	4,645,000	
TOTAL	$ 18,205,000	$ 12,935,000

Bond Authority:	Tax Bonds*	Refunding Bonds
Amount Authorized by Voters	$ 30,000,000	$ 30,000,000
Amount Issued	18,745,000	130,000
Remaining to be Issued	$ 11,255,000	$ 29,870,000

See accompanying independent auditor's report.

Current Year Transactions				
	Retirements			
Bonds Sold	Principal	Interest	Bonds Outstanding February 28, 2018	Paying Agent
	40,000	43,610	885,000	Regions Bank Houston, TX
	35,000	67,899	1,440,000	Regions Bank Houston, TX
	40,000	52,013	1,240,000	Regions Bank Houston, TX
	135,000	63,237	2,075,000	Regions Bank Houston, TX
	60,000	97,631	2,685,000	Regions Bank Houston, TX
	100,000	104,739	4,200,000	Regions Bank Houston, TX
4,645,000			4,645,000	Regions Bank Houston, TX
$ 4,645,000	$ 410,000	$ 429,129	$ 17,170,000	

Debt Service Fund cash and investment balances as of February 28, 2018:	$ 2,213,726
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 990,766

See Note 3 for interest rate, interest payment dates and maturity dates.

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	$ 821,475	$ 725,977	$ 564,199
Water Service	325,810	305,747	274,461
Wastewater Service	560,818	531,927	474,093
Penalty and Interest	34,407	32,172	31,489
Tap Connection and Inspection Fees	68,913	65,050	92,325
Investment Revenues	17,793	9,084	4,744
Miscellaneous Revenues	3,451	3,974	3,435
TOTAL REVENUES	$ 1,832,667	$ 1,673,931	$ 1,444,746
EXPENDITURES			
Professional Fees	$ 108,798	$ 138,213	$ 93,860
Contracted Services	208,583	173,212	149,204
Purchased Services	658,858	589,169	521,329
Utilities	9,363	8,942	9,290
Repairs and Maintenance	80,983	253,046	133,818
Other	82,228	95,883	105,895
Capital Outlay	22,817		137,965
TOTAL EXPENDITURES	$ 1,171,630	$ 1,258,465	$ 1,151,361
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 661,037	$ 415,466	$ 293,385
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	$ - 0 -	$ 122,903	$ -0-
NET CHANGE IN FUND BALANCE	$ 661,037	$ 538,369	$ 293,385
BEGINNING FUND BALANCE	2,123,526	1,585,157	1,291,772
ENDING FUND BALANCE	$ 2,784,563	$ 2,123,526	$ 1,585,157

See accompanying independent auditor’s report.

2015	2014	Percentage of Total Revenue 2018	2017	2016	2015	2014
$ 456,471	$ 367,299	44.7 %	43.3 %	39.0 %	38.9 %	35.6 %
221,775	209,278	17.8	18.3	19.0	18.9	20.2
385,074	353,813	30.6	31.9	32.9	32.9	34.3
32,491	28,354	1.9	1.9	2.2	2.8	2.7
70,725	69,375	3.8	3.9	6.4	6.0	6.7
3,424	2,899	1.0	0.5	0.3	0.3	0.3
2,623	2,578	0.2	0.2	0.2	0.2	0.2
$ 1,172,583	$ 1,033,596	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 90,574	$ 83,473	5.9 %	8.3 %	6.5 %	7.7 %	8.1 %
132,659	116,746	11.4	10.3	10.3	11.3	11.3
404,672	383,430	36.0	35.2	36.1	34.5	37.1
10,602	8,170	0.5	0.5	0.6	0.9	0.8
104,684	73,938	4.4	15.1	9.3	8.9	7.2
87,652	91,436	4.5	5.7	7.3	7.5	8.8
		1.2		9.5		
$ 830,843	$ 757,193	63.9 %	75.1 %	79.6 %	70.8 %	73.3 %
$ 341,740	$ 276,403	36.1 %	24.9 %	20.4 %	29.2 %	26.7 %
$ -0-	$ 15,171					
$ 341,740	$ 291,574					
950,032	658,458					
$ 1,291,772	$ 950,032					

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	$ 1,134,928	$ 975,915	$ 877,745
Penalty and Interest	14,603	6,696	6,542
Investment Revenues	11,165	6,768	2,655
Miscellaneous Revenues	2,800	181	7,265
TOTAL REVENUES	$ 1,163,496	$ 989,560	$ 894,207
EXPENDITURES			
Tax Collection Expenditures	$ 42,058	$ 36,993	$ 33,150
Debt Service Principal	410,000	305,000	205,000
Debt Service Interest and Fees	434,573	336,371	268,956
Bond Issuance Costs			113,787
TOTAL EXPENDITURES	$ 886,631	$ 678,364	$ 620,893
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 276,865	$ 311,196	$ 273,314
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	$	$	$ 49,666
Refunding Bonds			2,350,000
Payment to Refunded Bond Escrow Agent			(2,241,766)
Bond Premium			6,065
TOTAL OTHER FINANCING SOURCES (USES)	$ - 0 -	$ -0-	$ 163,965
NET CHANGE IN FUND BALANCE	$ 276,865	$ 311,196	$ 437,279
BEGINNING FUND BALANCE	1,857,992	1,546,796	1,109,517
ENDING FUND BALANCE	$ 2,134,857	$ 1,857,992	$ 1,546,796
TOTAL ACTIVE RETAIL WATER CONNECTIONS	758	732	688
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	749	726	683

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2015	2014	2018	2017	2016	2015	2014
$ 647,622	$ 506,536	97.5 %	98.6 %	98.2 %	98.9 %	98.5 %
4,491	5,013	1.3	0.7	0.7	0.7	1.0
2,326	2,315	1.0	0.7	0.3	0.4	0.5
	7	0.2		0.8		
$ 654,439	$ 513,871	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 27,333	$ 23,489	3.6 %	3.7 %	3.7 %	4.2 %	4.6 %
200,000	160,000	35.2	30.8	22.9	30.6	31.1
292,250	236,429	37.4	34.0	30.1	44.7	46.0
				12.7		
$ 519,583	$ 419,918	76.2 %	68.5 %	69.4 %	79.5 %	81.7 %
$ 134,856	$ 93,953	23.8 %	31.5 %	30.6 %	20.5 %	18.3 %
$	$ 27,569					
$ -0-	$ 27,569					
$ 134,856	$ 121,522					
974,661	853,139					
$ 1,109,517	$ 974,661					
597	509					
592	504					

See accompanying independent auditor’s report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
FEBRUARY 28, 2018

District Mailing Address	-	Montgomery County Municipal Utility District No. 98 c/o Schwartz Page & Harding, LLP 1300 Post Oak Blvd., Suite 1400 Houston, TX 77056
District Telephone Number	-	(713) 623-4531

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended February 28, 2018	Expense Reimbursements for the year ended February 28, 2018	Title
Andy Rodriguez, Jr.	05/14 05/18 (Elected)	$ 2,250	$ 481	President
Anthony Dainard	05/16 05/20 (Elected)	$ 750	$ 171	Vice President
Ken Wolf	05/16 05/20 (Elected)	$ 2,550	$ 1,194	Secretary
Garth Howard	05/16 05/20 (Elected)	$ 3,000	$ 2,646	Assistant Secretary
Joe Chernow	11/16 05/18 (Appointed)	$ 1,950	$ 386	Assistant Secretary

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054): November 3, 2016.

The limit on Fees of Office that a Director may receive during a fiscal year is $7,200 as set by Board Resolution (TWC Section 49.060). Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
FEBRUARY 28, 2018

Consultants:	Date Hired	Fees for the year ended February 28, 2018	Title
Schwartz, Page & Harding, LLP	08/17/04	$ 75,265 $ 117,446	General Counsel/ Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	03/07/13	$ 12,500 $ 8,400	Auditor Bond Related
Municipal Accounts & Consulting	08/17/04	$ 26,683	Bookkeeper
Perdue Brandon Fielder Collins & Mott, L.L.	05/04/06	$ 2,402	Delinquent Tax Attorney
Edminster, Hinshaw, Russ and Associates, Inc.	09/07/06	$ 80,493	Engineer
Hilltop Securities, Inc.	08/17/04	$ 96,057	Financial Advisor
Mark M. Burton	10/07/04	$ -0-	Investment Officer
Municipal Operations & Consulting, Inc.	10/07/04	$ 133,391	Operator
Wheeler & Associates, Inc.	10/07/04	$ 23,039	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policy

ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ________________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

Form 500NY (5/90)